United States and the peoples of the other American Republics and the Philippines, so as to provide for the interchange of persons, knowledge, and skills between the people of the United States and the peoples of other countries; to the Committee on Foreign Affairs.

By Mr. ENGLE of California:

H. R. 3836. A bill to repeal an act which withdrew certain public lands of the United States in the State of California from settlement; to the Committee on the Public Lands.

By Mr. HUBER:

H. R. 3837. A bill to provide for the amendment of the Fair Labor Standards Act of 1938, and for other purposes; to the Committee on Labor.

By Mr. MORRISON:

H. R. 3838. A bill to provide for the discharge from the armed forces of persons who have lost two or more brothers or sisters in the present war; to the Committee on Military Affairs.

By Mr. PRICE of Illinois:

H. R. 3839. A bill to provide for the amendment of the Fair Labor Standards Act of 1938, and for other purposes; to the Committee on Labor.

By Mr. REED:

H. R. 3840. A bill to provide for veterans' advisers in the various internal revenue districts; to the Committee on Ways and Means.

By Mr. HOOK:

H. R. 3841. A bill to provide for the amendment of the Fair Labor Standards Act of 1938, and for other purposes; to the Committee on Labor.

By Mr. KEOGH:

H. R. 3842. A bill to amend the act entitled "An act to prohibit the unauthorized wearing, manufacture, or sale of medals and badges awarded by the War Department," as amended; to the Committee on Military Affairs.

By Mr. MANSFIELD of Montana:

H. R. 3843. A bill to provide for the disposition of tribal funds of the Confederated Salish and Kootenai Tribes of Indians of the Flathead Reservation in Montana; to the Committee on Indian Affairs.

By Mr. O'TOOLE:

H. R. 3844. A bill to provide for the amendment of the Fair Labor Standards Act of 1938, and for other purposes; to the Committee on Labor.

By Mr. SNYDER:

H. R. 3845. A bill to amend the Public Health Service Act to authorize grants to the States for surveying their hospitals and public-health centers and for planning construction of additional facilities, and to authorize grants to assist in such construction; to the Committee on Interstate and Foreign Commerce.

By Mr. MARTIN of Massachusetts:

H. J. Res. 231. Joint resolution proposing an amendment to the Constitution so as to make ex-Presidents of the United States Members of the Senate; to the Committee on the Judiciary.

By Mr. JARMAN:

H. Res. 330. Resolution authorizing the Special Committee on Postwar Economic Policy and Planning of the House of Representatives to have printed for its use additional copies of part 5 of the hearings held before said special committee during the second session of the Seventy-eighth Congress and the current session; to the Committee on Printing.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CHURCH:

H. R. 3846. A bill for the relief of Lt. Samuel Adams Lynde, United States Navy; to the Committee on Claims.

By Mr. MORRISON:

H. R. 3847. A bill for the relief of Saul or Solly Magdoff; to the Committee on Immigration and Nationalization.

By Mr. POAGE:

H. R. 3848. A bill for the relief of the legal guardian of Johnnie Pollock, a minor; to the Committee on Claims.

By Mr. WALTER:

H. R. 3849. A bill for the relief of Francisco Cozzolino; to the Committee on Immigration and Naturalization.

By Mr. WHITE:

H. R. 3850. A bill for the relief of L. G. Chimenti; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1095. By Mr. ADAMS: Petition of Berlin (N. H.) Aerie, Fraternal Order of Eagles, asking that January 31 be declared a national holiday; to the Committee on the Judiciary.

1096. By Mr. COCHRAN: Petition of Mr. A. L. Morrison and 310 other citizens of Missouri, protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

1097. Also, petition of Mr. F. M. O'Brien and 311 other citizens of Missouri, protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

1098. By Mr. MOTT: Petition signed by Mrs. Effie M. Wright and 59 other citizens of Philomath, Oreg., urging enactment of the Bryson bill, H. R. 2082; to the Committee on the Judiciary.

1099. Also, petition signed by Mrs. Harry Rushold and 22 other citizens of Clackamas County, Oreg., urging enactment of the Bryson bill, H. R. 2082; to the Committee on the Judiciary.

SENATE

THURSDAY, JULY 19, 1945

(Legislative day of Monday, July 9, 1945)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

Rev. Harry L. Bell, D. D., minister, Columbia Heights Christian Church, Washington, D. C., offered the following prayer:

Our Father and our God of infinite mercies, it is from Thee that all things come. Thou givest power to the faint and to him that hath no might. Thou increaseth strength. In Thee we live and move and have our being. They that wait for Thee renew their strength; they mount up with wings as eagles; they run, and are not weary; they walk, and faint not.

We would be building here, O Father, a righteous and reverent nation. Depart not from us. Leave us not to our own devices. We came to this land to follow after Thee as our conscience did lead us. We built houses of worship in remote wildernesses and in busy city streets. We are a God-fearing people, O God. Make us worthy of Thee and Thy continued blessings.

Our Heavenly Father, the earth is convulsing with conflicts of upheavals and death. In a world of strife and bitterness, teach us, O God, how to love even the unlovable. Purge us of selfish interests.

We pray for the President of the United States. Grant unto him this very day Thy divine wisdom and guidance. We pray for our sons and daughters who, from dawn to dusk, are struggling to save the precious treasures we hold sacred. As they face the hardships before them this day, give a promise to every tear and a blessed assurance to every doubt.

Bless the homes represented in this Senate Chamber, and every home in our land, with the assurance that Thou art ever and always near us. Through Jesus Christ our Lord. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Wednesday, July 18, 1945, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H. R. 603. An act to permit the United States to be made a party defendant in certain cases, and for other purposes;

H. R. 3111. An act to amend the act approved January 2, 1942, as amended, approved April 22, 1943, entitled "An act to provide for the prompt settlement of claims for damages occasioned by Army, Navy, and Marine Corps forces in foreign countries"; and

H. R. 3749. An act to amend the Servicemen's Readjustment Act of 1944 to provide for readjustment allowance for all veterans of World War II.

THE POLISH QUESTION—CORRESPONDENCE WITH STATE DEPARTMENT

Mr. VANDENBERG. Mr. President, I ask unanimous consent to have printed in the RECORD at this point an exchange of letters with the State Department regarding our American obligations under the Yalta agreement with respect to free elections and subsequent developments of independent government in Poland.

There being no objection, the correspondence was ordered to be printed in the RECORD, as follows:

JULY 9, 1945.

Hon. JOSEPH C. GREW,
Under Secretary of State,
Washington, D. C.

MY DEAR MR. SECRETARY: In the absence of the Secretary, I take the liberty of addressing this inquiry to you.

It is clear that the settlement of the Polish question thus far made is inadequate and unconvincing to millions of our citizens, among whom I may say that I am numbered. There still seems to be no clear assurance that the Polish people will themselves have the final opportunity of untrammeled self-determination under this new provisional government which is imposed upon them by Britain, Russia, and the United States, within Polish boundaries similarly dictated by these external powers.

I wish to inquire whether our responsibility under the Yalta agreement is presumed to have been discharged by the creation of this new provisional government or whether the three-power obligation continues until the promised "free elections" have actually

occurred? If the obligation continues, as would seem to be our own unavoidable share of this responsibility, I wish to ask the following questions:

1. When the new provisional government begins to operate, will the United States be permitted to send full diplomatic and consular representatives into Poland?

2. Will the American press be permitted to send its uncensored correspondents into Poland?

3. Will the United States participate, on an equality with the other powers, under their Yalta obligation, in a general supervision of these "free elections" to make certain they are "free" in fact as well as name?

I am sure you will agree that we cannot be guilty of default in any of these directions; and that the greatest measure of realistic self-determination for the Polish people, including the members of the Polish Army which has played such an heroic part in our victory over the Axis, is the only course consistent with the Atlantic Charter, the Moscow declaration, the Yalta agreement, and the San Francisco Charter. I respectfully urge that the full weight of our American influence should be exerted in behalf of final determinations which will clearly serve the ends of justice in behalf of Poland, not only for the sake of Poland but also for the sake of all the great powers concerned (and our unity) and for the sake of the international peace and security which we are unitedly seeking to stabilize.

I shall welcome any information you can give me upon this subject in response to my questions.

With sentiments of great respect and with warm personal regards, I beg to remain,

Cordially and faithfully,

A. H. VANDENBERG.

DEPARTMENT OF STATE,
Washington, July 17, 1945.

The Honorable ARTHUR H. VANDENBERG,
United States Senate.

MY DEAR SENATOR VANDENBERG: I have received your letter of July 9, 1945, in which you raise several questions concerning the new Polish Provisional Government of National Unity, recently established in Warsaw, and the United States Government's policy toward that government. For greater convenience to you, I have considered individually, in the order of their appearance in your letter, your several statements and questions:

1. "There still seems to be no clear assurance that the Polish people will themselves have the final opportunity of untrammeled self-determination under this new Provisional Government which is imposed upon them by Britain, Russia and the United States, within Polish boundaries similarly dictated by these external powers."

Since the rival Polish groups in Poland and in London were unable to settle their differences, it was decided at Yalta to set up a commission, composed of Mr. Molotov, people's commissar for foreign affairs of the U. S. S. R., Sir Archibald Clark-Kerr, British Ambassador to the U. S. S. R., and Mr. W. Averell Harriman, American Ambassador to the U S. S. R., which would be empowered to bring these groups together in order that members of the Polish Provisional Government then functioning in Warsaw and other Polish democratic leaders from within Poland and from abroad could consult with a view to the reorganization of the Provisional Government on a broader democratic basis, and the formation of a new Polish Provisional Government of National Unity with which the Governments of the United States, the United Kingdom and the Soviet Union could establish diplomatic relations. Arrangements were finally made to bring the three groups of Poles together and they met in Moscow between June 17 and June 21 to discuss the composition of the new government. On June 21 the leaders informed the Commission established by the Crimea Conference that complete accord had been reached by them regarding the formation of a new Polish Provisional Government of National Unity. After studying the report submitted by the Polish leaders, the three Commissioners concluded that the Polish groups represented had set up a government in conformity with the Crimea decisions. The Commission's decision was accepted by the Governments of the United States, the United Kingdom and the Soviet Union.

Thus, since this Government was set up by the Poles themselves, the new Government was not imposed upon the Polish people by the United States, Great Britain, and the Soviet Union.

2. "I wish to inquire whether our responsibility, under the Yalta agreement, is presumed to have been discharged by the creation of this new Provisional Government or whether the three-power obligation continues until the promised free elections have actually occurred?"

The formation of the new Polish Provisional Government of National Unity constituted a positive step in the fulfillment of the Crimea decisions. The decisions will be further implemented when the new Government carries out its pledge to hold free and unfettered elections as soon as possible on the basis of universal suffrage and the secret ballot. In this connection the Crimea decisions also provide that the Ambassadors in Poland of the three powers shall keep their respective Governments informed about the situation in Poland. It is clear, therefore, that the creation of the new Government does not alone discharge us from the responsibilities we assumed at Yalta.

3. "When the new Provisional Government begins to operate, will the United States be permitted to send full diplomatic and consular representatives into Poland?"

Mr. Osubka-Morawski, Prime Minister of the new Polish Provisional Government of National Unity, in his message to President Truman requesting the establishment of diplomatic relations with his Government stated:

"I have the honor in the name of the Provisional Government of National Unity to approach the Government of the United States of America with a request for the establishment of diplomatic relations between our nations and for the exchange of representatives with the rank of Ambassador."

On the basis of the assurances given by the United States at the Crimea Conference, President Truman established diplomatic relations with the new Government and informed the Prime Minister that he had chosen as Ambassador Extraordinary and Plenipotentiary to Poland the Honorable Arthur Bliss Lane. Ambassador Lane and initial members of his staff are making arrangements to proceed to Warsaw as soon as possible and thus, in accordance with the Crimea decisions, the Ambassador will be in a position to keep this Government "informed about the situation in Poland."

4. "Will the American press be permitted to send its uncensored correspondents into Poland?"

In the discussions relative to the recognition of the new Polish Provisional Government of National Unity, the United States Government made it clear that it expected American correspondents to be permitted to enter Poland in order that the American public may be informed of the situation in that area. You may be assured that the United States Government will use its full influence to attain this desired end.

In addition to these conversations regarding the entry of American correspondents into Poland, the Department of State has for some time been pressing the Soviet authorities for authorization for American correspondents to enter eastern and southeastern Europe in order to be in a position to report accurately to the American public on developments there. The Department will continue its efforts to obtain permission for American correspondents to operate freely in all areas.

5. "Will the United States participate, on an equality with the other powers, under their Yalta obligation, in a general supervision of these 'free elections' to make certain they are 'free' in fact as well as name?"

President Truman in his message to the Polish Prime Minister stated that "I am pleased to note that Your Excellency's Government has recognized in their entirety the decisions of the Crimea Conference on the Polish question, thereby confirming the intention of Your Excellency's Government to proceed with the holding of elections in Poland in conformity with the provisions of the Crimea decisions." This undertaking with regard to the holding of free and unfettered elections was one of the vital points considered in connection with the establishment of diplomatic relations between this Government and the new Polish Provisional Government of National Unity.

As indicated above, the American Ambassador and his staff will make reports on the situation in Poland and on the basis of these reports this Government will give consideration to the question of whether supervision of elections would be advisable. If it is decided to supervise the elections, the United States Government will, of course insist upon its right to participate on an equal basis with the other powers.

In conclusion, I wish to point out that American policy with regard to Poland continues to be based on the decisions of the Crimea Conference. Both President Roosevelt and President Truman have gone on record that the United States Government stands unequivocally for a strong, free, and independent Polish state.

I welcome this opportunity to exchange views with you, since I believe it is of vital importance that the Members of the Congress be afforded a clear understanding of questions relating to our foreign relations and policy. Under such conditions the State Department can best carry out the foreign policy of the United States as determined by the President and the Congress.

Sincerely yours,

JOSEPH C. GREW,
Acting Secretary.

TRIBUTE TO LT. WILLIAM H. ADAMS

Mr. O'MAHONEY. Mr. President, Members of the Senate who served in this body with the late Senator Alva B. Adams, of Colorado, will be pleased to learn that his son, Lt. William H. Adams, has recently been awarded the Silver Star for gallantry in action in the European war. Senator Adams was held in the highest affection and esteem by all who served with him, and they know how proud he would have been to read the citation which accompanied the medal bestowed upon his son by the Army.

I ask unanimous consent that the full text of the citation, as presented in a newspaper story from the Pueblo (Colo.) Chieftain be printed at length in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

LT. WILLIAM H. ADAMS AWARDED STAR FOR GALLANTRY IN ACTION

Second Lt. William H. (Billy) Adams, son of Mrs. Alva B. Adams and the late United States Senator Alva B. Adams, has been awarded the Silver Star Medal for gallantry in action at Restorf, Germany, April 22, 1945, it was officially learned here Saturday.

Lieutenant Adams, now stationed at Heroldsburg, near Nurnberg, where his father and mother once visited with a senatorial party, is with the Chemical Warfare Service, Thirteenth Corps of the Ninth Army. The citation which went forth with the medal, reads:

"At about 23:15 hours Lieutenant Adams' 4.2-inch chemical mortar platoon had been attacked from all sides by an enemy force that quickly gained points within 50 and 100 yards of the platoon.

"Lieutenant Adams swiftly organized his platoon's defense in a house and directed their effective fire, inflicting many casualties on the enemy. Constantly exposing himself to the intense enemy small arms and bazooka fire, once knocked to the floor by the blast of an enemy bazooka shell, he continually directed his platoon and assisted in carrying his wounded men to a place of comparatively safety.

"Until dawn when the attack was finally repelled, Lieutenant Adams displayed superior leadership, confidence, and cool courage. His actions were an inspiration to his men and reflect the highest credit upon himself and the armed forces of the United States."

The citation was ordered by Major General Gillem.

Lieutenant Adams has been in the armed services for 3 years.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented and referred as indicated:

By the PRESIDENT pro tempore:

A resolution adopted by the board of directors of the Chamber of Commerce of Honolulu, T. H., requesting the President to nominate a citizen of the Territory of Hawaii for appointment to the United States Circuit Court of Appeals for the Ninth Circuit; to the Committee on the Judiciary.

A letter in the nature of a petition from a citizen of Los Angeles, Calif., relating to Federal nurseries; to the Committee on Education and Labor.

By Mr. CAPPER:

A letter in the nature of a petition from Mrs. Seth J. Owens, president, American Legion Auxiliary Unit, No. 15, of Iola, Kans., praying for the enactment of the so-called Gurney-May bill, providing for peacetime compulsory military training; to the Committee on Military Affairs.

DESIGNATION OF BIRTHDAY OF FRANKLIN D. ROOSEVELT AS A NATIONAL HOLIDAY

Mr. TOBEY. Mr. President, I ask unanimous consent to present for appropriate reference and to have printed in the RECORD a resolution adopted by the Berlin (N. H.) Aerie, Fraternal Order of Eagles, memorializing Congress to designate the birthday of the late President Franklin D. Roosevelt as a national holiday.

There being no objection, the resolution was received, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Resolution memorializing Congress to designate the birthday of the late President Franklin Delano Roosevelt as a national holiday

Whereas Franklin Delano Roosevelt served as President of the United States from March 4, 1932, until his untimely death on April 12, 1945, having been elected to four successive terms and having become the first American President honored by his fellow citizens with more than traditional two terms;

Whereas President Roosevelt assumed office during the depression, one of the great domestic crises in the Nation's history, and by wise, courageous, and humanitarian leadership restored confidence and faith in America;

Whereas President Roosevelt championed the cause of the workingmen of America and ushered in a new era of consideration for the rights of labor and the common man;

Whereas President Roosevelt espoused and signed the National Social Security Act, generally recognized as the greatest social measure in American history, climaxing a 14-year educational campaign by the Fraternal Order of Eagles in behalf of State and Federal old-age security legislation;

Whereas President Roosevelt awakened our Nation to the menace of fascism to our free institutions and our very existence as a free people and led America and its allies, the United Nations, in the mightiest world struggle for human freedom, culminating in the unconditional surrender of Germany and in decisive victories over Japan;

Whereas President Roosevelt charted a course for preventing future wars, by means of a permanent world peace organization, economic cooperation, and international good will, thereby embodying during the most critical period in modern history the hopes, the aspirations, and the ideals of his fellow countrymen, and the oppressed peoples of the entire world; and

Whereas Franklin Delano Roosevelt is assured an immortal place in world history and will earn the gratitude of American generations yet to come and the esteem and affection of free peoples in all lands: Now, therefore, be it

Resolved, That Berlin Aerie, Fraternal Order of Eagles, hereby respectfully petition the Congress of the United States to designate January 31, the birth date of Franklin Delano Roosevelt, as a national holiday; and be it further

Resolved, That copies of this resolution be sent to the United States Senators from this State and the Congressman of this district.

EXTENSION AND MAINTENANCE OF CREDIT FOR PURCHASE AND CARRYING OF SECURITIES—PETITION

Mr. HART. Mr. President, I ask unanimous consent to present for appropriate reference and to have printed in the RECORD, a petition of Thomas J. Reardon, of Hartford, Conn., relating to the extension and maintenance of credit for the purchase and carrying of securities.

There being no objection, the petition was received, referred to the Committee on Banking and Currency, and ordered to be printed in the RECORD, as follows:

In accordance with the Constitution of the United States, I, Thomas J. Reardon, a citizen of the United States, resident of Hartford, Conn., respectfully petition the Congress of the United States to consider and take action upon the following grievance and proposed remedy:

Whereas for the purpose of stabilizing the economy of this Nation following the collapse of 1907, Congress instituted the Federal Reserve bank, and whereas the direct evidence of the failure of the Federal Reserve bank to prevent an economic collapse of 1929 substantiates the following accusation:

The Federal Reserve bank allowed the credit wealth of the Nation to be siphoned into speculation prior to 1929. That was the period of inflation credited to their false method of valuation and whereas they still insist on using the same false method of valuation which will promote the very thing they are trying to prevent.

The Federal Government treated the effect by Government bond issue—some forty-seven billion—and had not solved the unemployment problem. War and production of implements of war employed all the employable and adding some hundreds of billions more of debt as a burden on the people of the Nation.

Whereas we are confronted with the problem of production to furnish employment to meet the current expenses of government and liquidate a debt which private enterprise producing the things people desire and will purchase inasmuch as their ability to earn will permit, and the credit wealth of the Nation supporting the production will furnish the bloodstream of the whole economic system when so employed.

To prevent repetition of the experience prior to 1929, it is only necessary for Congress, by legislation, to substitute "yield" for "market quotation" as a method of valuation for the extension of credit for the purchase and carrying of securities as follows:

A bill amending regulation U (loans by banks) and regulation T (extension and maintenance of credits to brokers, etc.)

An amount not greater than 50 percent of the value determined by yield as follows:

On common stock to be at least 5 percent per annum.

On preferred stock to be at least 4 percent per annum.

On bonds to be at least 3 percent per annum.

And yield that determines the value at the time of the loan shall be the minimum yield per annum for the previous 5 years.

Discontinue the special privileges of brokers and dealers.

POLITICAL OR ECONOMIC COOPERATION BY UNITED STATES WITH OTHER NATIONS TO PREVENT WAR—PETITION

Mr. HART. Mr. President, I also ask unanimous consent to present for appropriate reference and to have printed in the RECORD a petition from Thomas J. Reardon, of Hartford, Conn., relating to political or economic cooperation by the United States with other nations to prevent war.

There being no objection, the petition was received, referred to the Committee on Foreign Relations, and ordered to be printed in the RECORD, as follows:

In accordance with the Constitution of the United States, I, Thomas J. Reardon, a citizen of the United States, resident of Hartford, Conn., respectfully petition the Congress of the United States to consider and take action upon the following grievance and proposed remedy:

Whereas man's two major problems are war and economic misery. These being of man's own making, the cause and remedy can be definitely determined and set down. It is an absolute fact that the overwhelming majority of the two-billion-odd people in the world do not want war or economic misery. The evidence is clear that minorities have involved majorities in those catastrophes, minorities being the administrators in the different forms of government. The exercise of the common sense of the common people, which Thomas Jefferson said is the greatest force on earth, would be the most potent influence in correcting this situation;

Whereas the purpose and intent of our forefathers is to forever prevent men by evil method governing people without their consent. Their set of principles, their doctrine, their idealism, and their realism, they set down in our Constitution, second only to the law of God, is evidenced by their wisdom in implementing good will. Providing for change is evidence that they did not claim perfection;

Whereas a set of principles proposing to prevent war and economic misery is subscribed to by the administrators of the various kinds of governments assembled in San Francisco to build a method of government to that end. The method of attaining this end is now disclosed in the proposed charter,

which document itself clearly discloses the falseness of the premises upon which it is based;

Whereas the pagan sovereign states and nations have a method of government wherein the people are subjects, while we declared our separation and independence as an evidence of a divine sovereign people's method of government, wherein the people are masters and limit by our Constitution the authority and discretion of the administrators in peace and war;

Whereas Congress resolved to cooperate with other nations by constitutional processes to prevent war and economic misery; while at the Convention at San Francisco, attended by our delegates, a constitution for the prevention of war and economic misery has been devised and now awaits adoption; and

Whereas this so-called Charter is in fact a constitution, upon the question of the adoption of which our delegates will vote, although there is no provision in the Constitution of the United States for the adoption or ratification of such a Charter or constitution of a world-supreme government; and once we are in we cannot get out, as we have interpreted our Constitution denying the right of any signatory to secede. And, again, when a state ratifies a constitutional amendment it cannot rescind its action. It has exhausted its authority. In the Constitution there are no provisions for the action necessary for this Nation to cooperate with other nations in the manner and form disclosed after the various conferences at San Francisco; and admitting, as its proponents do, that it is only an experiment, there is no exit in the event of failure: Therefore be it

Resolved, That before committing this Nation to any plan of political or economic cooperation with other nations to prevent war,

Congress will summon the voting citizens for their verdict by ballot; and providing that three-quarters of the voters concur.

This alone is a barrier against the evil will of minority manipulators, the cause of war and economic misery all down through the history of man; preventing the unconstitutional surrender of our "divine sovereignty" by taking this constitutional means to attain this "divine end."

ADEQUATE MANPOWER FOR BITUMINOUS COAL INDUSTRY—REPORT OF MILITARY AFFAIRS COMMITTEE

Mr. REVERCOMB. Mr. President, on behalf of my colleague [Mr. KILGORE] and myself, from the Committee on Military Affairs, I ask unanimous consent to report favorably without amendment the concurrent resolution (S. Con. Res. 21) urging the War Department and the War Manpower Commission to take immediate action to assure manpower in the bituminous-coal industry adequate to attain the needed coal production, and for other purposes, and I submit a report (No. 501) thereon.

It is a concurrent resolution dealing with the release of men in the service for the purpose of increasing manpower in coal mining. It is a very important measure. The manpower situation in the State of West Virginia and other coal-producing States is in a precarious condition, in view of the great demand which will be made for the use of coal in the days ahead of us.

The PRESIDENT pro tempore. Without objection, the report will be received, and the concurrent resolution will be placed on the calendar.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MURDOCK, from the Committee on Banking and Currency:

H. R. 3771. A bill to provide for increasing the lending authority of the Export-Import Bank of Washington, and for other purposes; without amendment (Rept. No. 490).

By Mr. ELLENDER, from the Committee on Claims:

S. 1183. A bill to authorize payment of certain claims for damage to or loss or destruction of property arising from activities of the War Department or of the Army; without amendment (Rept. No. 500);

S. 1250. A bill for the relief of certain claimants who suffered losses and sustained damages as the result of the campaign carried out by the Federal Government for the eradication of the Mediterranean fruitfly in the State of Florida; without amendment (Rept. No. 491);

H. R. 1245. A bill for the relief of John F. Davis; without amendment (Rept. No. 492);

H. R. 1301. A bill for the relief of Madeline Winter and Ethel Newton; without amendment (Rept. No. 493); and

H. R. 1346. A bill for the relief of Alaska D. Jeannette; without amendment (Rept. No. 494).

By Mr. O'DANIEL, from the Committee on Claims:

H. R. 2699. A bill for the relief of Dr. Jabez Fenton Jackson, and Mrs. Narcissa Wilmans Jackson; with an amendment (Rept. No. 495).

By Mr. CAPPER, from the Committee on Claims:

H. R. 3417. A bill for the relief of Clarence J. Spiker and Fred W. Jandrey; without amendment (Rept. No. 496).

By Mr. MORSE, from the Committee on Claims:

H. R. 1595. A bill for the relief of the Borough of Beach Haven, Ocean County, N. J.; without amendment (Rept. No. 497); and

H. R. 3175. A bill to confer jurisdiction upon the United States District Court for the Eastern District of South Carolina to determine the claim of Lewis E. Magwood; without amendment (Rept. No. 498).

By Mr. JOHNSTON of South Carolina, from the Committee on Claims:

S. 788. A bill for the relief of the estate of George J. Ross; without amendment (Rept. No. 499).

By Mr. REVERCOMB (for himself and Mr. KILGORE), from the Committee on Military Affairs:

S. Con. Res. 21. Concurrent resolution urging the War Department and the War Manpower Commission to take immediate action to assure manpower in the bituminous-coal industry adequate to attain the needed coal production, and for other purposes; without amendment (Rept. No. 501).

BILLS AND A JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. GEORGE:

S. 1283. A bill for the relief of the estate of Homer V. Colley; and

S. 1284. A bill for the relief of the board of trustees, Summerville Consolidated School District, Chattooga County, Ga.; to the Committee on Claims.

(Mr. MAGNUSON introduced Senate bill 1285, which was referred to the Committee on Commerce, and appears under a separate heading.)

By Mr. CAPPER:

S. J. Res. 85. Joint resolution proposing to amend the Constitution of the United States to exclude aliens in counting the whole number of persons in each State for apportionment of Representatives among the several States; to the Committee on the Judiciary.

NATIONAL RESEARCH FOUNDATION ACT OF 1945

Mr. MAGNUSON. Mr. President, prior to our entrance into the war this country never instituted a national mobilization of its scientific potentialities. War came and we found that basic science and applied science became an integral part of fighting this war. We learned a lesson. We mobilized quickly what scientists were available. The scientists of this country in all fields of endeavor have done an excellent job in helping to win the war and now in helping to bring it to an end.

These scientists have come to a definite realization that we should have some legislation and embark upon some program so that such a thing may not again happen. They have prepared data which I have assembled in a bill which I now ask unanimous consent to introduce for proper reference. The purpose of the bill is to keep our scientific potential in this country mobilized so that we may use it quickly when we call upon it at any time in the future for the defense of our country.

There being no objection, the bill (S. 1285) to promote the progress of science and the useful arts, to secure the national defense, to advance the national health, prosperity, and welfare, and for other purposes, introduced by Mr. MAGNUSON, was received, read twice by its title, and referred to the Committee on Commerce.

DECLARATION OF POLICY WITH RESPECT TO RATIFICATION OF UNITED NATIONS CHARTER

Mr. MOORE submitted the following resolution (S. Res. 158), which was referred to the Committee on Foreign Relations:

Resolved, That if and when the Charter of the United Nations, signed by 50 nations of the world at San Francisco on the 26th day of June 1945 and submitted to the Senate of the United States by the President for ratification, shall have been ratified, it shall be the policy of the United States that all powers to be exercised by the representative of the United States on the Security Council, as established pursuant to chapter V, with respect to the use of measures set forth in articles 41 and 42 of chapter VII of the Charter of the United Nations, shall be in accordance with directions first had and obtained from the President of the United States.

SEC. 2. When the President of the United States shall direct the representative of the United States on the Security Council, as established by the Charter of the United Nations, to vote for the use of the measures, or any of them, set forth in articles 41 and 42 of chapter VII of the Charter of the United Nations, he shall report his actions in such regard to the Congress of the United States.

SEC. 3. The policy of the United States as stated in sections 1 and 2 hereof shall be made a covenant of a treaty between the United States Government and the Security Council of the United Nations, to be con-

cluded in accordance with article 43, chapter VII, of the Charter of the United Nations.

SEC. 4. No representative of any United Nations Organization shall commit the United States Government to the expenditure or loan of any moneys, or the extension of credits, or the use of real or personal property, except military equipment and matériel when used to enforce the measures provided for in article 43 of chapter VII of the Charter under the conditions herein expressed unless the Congress of the United States shall have made an appropriation specifically for such purposes, or shall have passed an act in accordance with law authorizing such action.

HOUSE BILLS REFERRED OR PLACED ON CALENDAR

The following bills were severally read twice by their titles and referred, or ordered to be placed on the calendar, as indicated:

H. R. 603. An act to permit the United States to be made a party defendant in certain cases, and for other purposes; to the Committee on the Judiciary.

H.R. 3111. An act to amend the act approved January 2, 1942, as amended, approved April 22, 1943, entitled "An act to provide for the prompt settlement of claims for damages occasioned by Army, Navy, and Marine Corps forces in foreign countries"; ordered to be placed on the calendar.

H. R. 3749. An act to amend the Servicemen's Readjustment Act of 1944 to provide for readjustment allowance for all veterans of World War II; to the Committee on Finance.

ADDRESS BY ASSOCIATE JUSTICE BLACK AT HOLLYWOOD BOWL

[Mr. HILL asked and obtained leave to have printed in the RECORD an address delivered by Hon. Hugo L. Black, Associate Justice of the Supreme Court of the United States, at Hollywood Bowl on June 22, 1945, which appears in the Appendix.]

ON REMOVING SUSPICION—EDITORIAL BY JOHN W. OWENS

[Mr. BARKLEY asked and obtained leave to have printed in the RECORD an editorial entitled "On Removing Suspicion," written by John W. Owens, and published in the Baltimore Sun of July 18, 1945, which appears in the Appendix.]

ARGENTINA AND THE UNITED NATIONS

[Mr. AUSTIN asked and obtained leave to have printed in the RECORD an editorial entitled "Argentina and the United Nations," published in the July 9, 1945, issue of the Caledonian Record of St. Johnsbury, Vt., which appears in the Appendix.]

THE UNITED NATIONS CHARTER—ADDRESS BY DR. ELMER LOUIS KAYSER

[Mr. HATCH asked and obtained leave to have printed in the RECORD a discussion of the United Nations Charter by Dr. Elmer Louis Kayser, dean of George Washington University, which appears in the Appendix.]

PROPOSED FEDERAL LABOR RELATIONS ACT

[Mr. HATCH asked and obtained leave to have printed in the RECORD a series of six articles published in the Washington Daily News on the proposed Federal Labor Relations Act, which appear in the Appendix.]

PROPOSED FEDERAL LABOR RELATIONS ACT—EDITORIAL FROM WASHINGTON POST

[Mr. HATCH asked and obtained leave to have printed in the RECORD an editorial entitled "Destructive Criticism" published in the Washington Post of July 19, 1945, which appears in the Appendix.]

PROPOSED NATIONAL LABOR RELATIONS ACT

[Mr. HATCH asked and obtained leave to have printed in the RECORD an editorial entitled "Constructive Critic" and an article entitled "Bad Outweighs Good in Proposed Labor Bill," both published in the Washington Daily News, which appear in the Appendix.]

PROPOSED FEDERAL LABOR RELATIONS ACT

[Mr. HATCH asked and obtained leave to have printed in the RECORD the second of two articles by William M. Leiserson, dealing with the proposed Federal Labor Relations Act and published in the Washington Daily News, which appears in the Appendix.]

THE BRETTON WOODS AGREEMENTS—INTERNATIONAL MONETARY FUND AND INTERNATIONAL BANK

The Senate resumed the consideration of the bill (H. R. 3314) to provide for the participation of the United States in the International Monetary Fund and the International Bank for Reconstruction and Development.

Mr. HILL. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Gurney	Murray
Andrews	Hart	Myers
Austin	Hatch	O'Daniel
Ball	Hawkes	O'Mahoney
Barkley	Hayden	Radcliffe
Bilbo	Hickenlooper	Revercomb
Brewster	Hill	Robertson
Briggs	Hoey	Russell
Brooks	Johnson, Colo.	Saltonstall
Buck	Johnston, S. C.	Shipstead
Burton	Kilgore	Smith
Bushfield	La Follette	Stewart
Butler	Langer	Taft
Byrd	Lucas	Taylor
Capehart	McCarran	Thomas, Okla.
Capper	McClellan	Tobey
Chandler	McFarland	Tunnell
Chavez	McKellar	Vandenberg
Cordon	McMahon	Wagner
Donnell	Magnuson	Walsh
Downey	Maybank	Wheeler
Eastland	Mead	Wherry
Ellender	Millikin	White
Ferguson	Mitchell	Wiley
Fulbright	Moore	Willis
George	Morse	Young
Guffey	Murdock	

Mr. HILL. Mr. President, I announce that the Senator from Virginia [Mr. GLASS] is absent because of illness.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Texas [Mr. CONNALLY], the Senator from Rhode Island [Mr. GREEN], the Senator from Louisiana [Mr. OVERTON], and the Senator from Maryland [Mr. TYDINGS] are absent on public business.

The Senator from Florida [Mr. PEPPER] is absent because of the death of his father.

Mr. WHERRY. The Senator from New Hampshire [Mr. BRIDGES], the Senator from Kansas [Mr. REED], and the Senator from Iowa [Mr. WILSON] are absent on official business.

The Senator from Idaho [Mr. THOMAS] is absent because of illness.

The PRESIDENT pro tempore. Eighty Senators having answered to their names, a quorum is present.

The question is on agreeing to the amendment offered by the senior Senator from Oklahoma [Mr. THOMAS] inserting a new section, on which, under the unanimous-consent order of yesterday, a vote will now be taken without further debate.

Mr. THOMAS of Oklahoma. Mr. President, I ask that the amendment be stated.

The PRESIDENT pro tempore. The clerk will state the amendment.

The CHIEF CLERK. On pages 6 and 7 it is proposed to strike out section 6 and to insert the following:

SEC. 6. There is hereby established in the money of account of the United States a gold coin to be known as a gold ounce; such coin to contain 480 grains of pure gold (troy weight) and sufficient alloy to make it nine-tenths fine and to be of the value of $35 or units.

The PRESIDENT pro tempore. The question is on agreeing to the amendment.

The amendment was rejected.

Mr. THOMAS of Oklahoma. Mr. President, my purpose in offering the amendment which has just been voted upon was to present an opportunity to call to the attention of the Senate, of the Congress, and of the country a fact which is obvious, I think, to anyone who has made a study of developments in the last few years. One important development is that the world is now off the gold standard, and sentiment is obviously rapidly growing in this country for us to follow suit and likewise go off the gold standard, in which event we will have left on our hands more than $20,000,000,000 of the monetary gold of the world.

Mr. President, I was under no illusion when I offered the amendment. My purpose in offering it was that I might be able to state my position with respect to the necessity and the advisability of retaining a metallic base for our currency.

I now offer a second amendment, as I stated in my former address I would do. I ask that the amendment be stated from the desk.

The PRESIDENT pro tempore. The clerk will state the amendment.

The CHIEF CLERK. On page 9, at the end of line 9, it is proposed to strike out the period and insert a colon and the following: *"Provided*, That the Secretary of the Treasury is authorized and directed to use all silver in the Treasury not held as security for outstanding currency of the United States, and all silver which may from time to time come into the Treasury, to pay all or part of the subscription of the United States as called for to the International Bank for Reconstruction and Development: *And provided further*, That all silver which may be paid into such Bank shall be valued in terms of gold from day to day on the basis of the commercial or fair world price per ounce, and on such basis such silver shall be regarded as the full equivalent of gold."

Mr. THOMAS of Oklahoma. Mr. President, I shall take but a very few moments to explain the amendment.

We have in our Treasury approximately 3,000,000,000 ounces of silver. A large percentage of that silver is not in

use; it is a surplus commodity. I desire to make the record in connection with the offering of the amendment.

I submit for the record a letter of date May 26, 1943, from the Treasury Department signed by D. W. Bell, Under Secretary of the Treasury. I ask that the letter be read at the desk. It states the amount of silver we had and the condition in which the silver was at the time the letter was written.

The PRESIDENT pro tempore. The clerk will read.

The Chief Clerk read as follows:

THE UNDER SECRETARY
OF THE TREASURY,
Washington, May 26, 1943.

Hon. ELMER THOMAS,
United States Senate,
Washington, D. C.

MY DEAR SENATOR: This is in reply to your letter of May 20, 1943, in further reference to Treasury silver stocks.

In calculating the amount of silver held by the Treasury on May 30, 1942, as stated in paragraph 2 of my letter of April 30, 1943, consideration was given to standard silver dollars and subsidiary silver coins held in the Treasury, but not to standard silver dollars and subsidiary silver coins outside of the Treasury. A break-down of Treasury silver holdings on May 30, 1942, is as follows:

	Millions of ounces
Silver dollars	371.4
Subsidiary silver coins	10.1
Silver bullion	2,524.9
Total	2,906.4

Treasury holdings of silver do not include silver dollars and subsidiary silver coins held by the public and the banks. Silver coins outside the Treasury, however, are included in the monetary stocks of silver as defined in the Silver Purchase Act.

Very truly yours,

D. W. BELL,
Under Secretary of the Treasury.

Mr. THOMAS of Oklahoma. Mr. President, that letter recites that the Treasury had on hand as of that date 2,906,000,000 ounces of silver. The letter further recites that the dollars outside the Treasury are not calculated in this estimate. Neither is the amount of silver in subsidiary coins and minor coins considered in this list.

I have before me a statement of date April 30, 1945, showing that at that time there were outside the Treasury 123,391,557 standard silver dollars, and that the Federal Reserve banks at that time held 1,822,159 standard silver dollars, making a total in excess of $125,000,000.

The same statement shows that on the same date, April 30, 1945, there were subsidiary silver coins outside the Treasury, which meant half dollars, quarter dollars, and dimes, in the total sum of $786,227,162.

Mr. President, add to the amount of silver held by the Treasury, the silver dollars in circulation and the subsidiary silver in circulation and it will be found that the total is approximately 3,300,000,000 ounces of silver. That is approximately the amount of silver that is now in the Treasury and in circulation in this country and abroad.

The question is: Shall we retain this silver and use it for money? The fact is that a very large percentage—not a majority, but a large number of ounces of silver owned by the Government is held as surplus. It is not coined. It is not proposed to coin it, insofar as I know, although I have understood that the distinguished junior Senator from Utah has had a conference recently with responsible authorities in the Treasury Department upon this subject, and if he cares to make a statement at this time with respect to this so-called surplus or free silver, I shall be glad to yield for such a statement.

Mr. MURDOCK. Mr. President, the statement I have to make is this: I believe the conference I had with the Secretary of the Treasury was about June 30. At that time I called to the Secretary's attention the fact that there was a large amount of silver in the Treasury which in my opinion should be used as a basis for the issuance of silver certificates under silver legislation now on the statute books. I pointed out that by the use of such silver the Secretary of the Treasury could save the taxpayers of the United States several million dollars annually. I also pointed out to the Secretary that, due to the fact that our expenditures daily run into hundreds of millions of dollars, and that the money for such expenditures was being procured by the Government going in debt through the medium of bonds, the issuance of silver certificates against idle silver was certainly no more inflationary than the creation of credit dollars, and I am sure the distinguished Senator from Oklahoma will join me in that position.

After quite a lengthy discussion with the Secretary on these points he finally agreed that he would be willing to monetize at the full monetary value of silver, which is $1.29 per ounce under our law, and begin issuing silver certificates as funds were needed by the Treasury.

The Secretary gave me the figures showing the quantity of silver which had passed from the Treasury into industry, and which had passed out of the Treasury for lend-lease purposes. He also pointed out that for coinage purposes and for lease-lend purposes in the next year there would probably be needed 300,000,000 ounces of silver, and that for subsidiary coinage and other emergencies the Treasury also felt that it should have at least 100,000,000 ounces of silver as a reserve in the Treasury. He gave me the figure of 696,000,000 ounces of free silver in the Treasury, or silver against which silver certificates had not been used. Deducting the 400,000,000 ounces which the Secretary says are needed for coinage, lease-lend, and other purposes, it leaves approximately 300,000,000 ounces of free silver in the Treasury today which could me monetized as suggested by me under present law, and at $1.29 per ounce would amount to approximately $387,000,000.

The Secretary of the Treasury agreed that he would immediately submit that proposition to the President for approval.

The Secretary of the Treasury on July 5 sent a letter to the President of the United States giving him full information as to my proposal and what we had agreed on. The proposition to monetize 300,000,000 ounces of silver at $1.29 an ounce was approved by President Truman, and I am advised by the Treasury that as funds now are currently needed by the Treasury those silver certificates will come into circulation.

In my opinion, if I may add this observation, Mr. President, that under this policy we have accomplished more for silver than could be accomplished in any other way. I do not think that anyone will challenge the fact that I have been an advocate of silver money and the use of silver in our monetary system ever since I came to Congress, and I feel now that we have gotten the Treasury Department to move away from the adamant position which it has maintained for years, that it would monetize silver only up to its cost value; that that position taken by the Treasury has been changed, and that now it is willing to monetize free silver at its full monetary value as funds are needed by the Treasury.

In my opinion we have accomplished more for silver by that action than by almost anything that could take place.

While I admire very much the fine position which the Senator from Oklahoma has always taken for silver and for gold, I simply cannot go along with him at this time on his amendment, and I will explain my reasons briefly after the Senator concludes.

What I have just related is what has actually happened in the Treasury in the last couple of weeks, and, in my opinion, it adds prestige to silver, not only in the United States, but throughout the world, and is a very satisfactory accomplishment.

Mr. THOMAS of Oklahoma. I thank the Senator from Utah for his statement of the position of the Treasury Department, and likewise the position of the President of the United States. If that pledge should be carried out, the silver which is in the Treasury, which might be called free silver, or which is surplus silver, will be monetized on the basis of the issuance, either in the form of dollar coins, or on the basis of dollar silver certificates, or $5 silver certificates, at the rate of $1.29 for each ounce of free or surplus silver in the Treasury.

Mr. TAFT. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. JOHNSTON of South Carolina in the chair). Does the Senator from Oklahoma yield to the Senator from Ohio?

Mr. THOMAS of Oklahoma. I yield.

Mr. TAFT. I should like to ask the Senator from Utah what is the status of silver which is lend-leased and what is the status of silver which is loaned to industrial concerns for bus bars, and so forth? Are the silver certificates to be issued against that silver? Is that considered to be in the Treasury, or does it have to come back to the Treasury before silver certificates can be issued?

Mr. MURDOCK. My understanding is that the silver which has passed out into industry, largely through the Defense Plant Corporation, is still the property of the Treasury, but is not available for any purpose at this time except the purpose it is now serving. It is the hope of the Secretary of the Treasury that that silver will be returned as its uses for war purposes are no longer necessary, and that it will come back into the Treasury. If that happens, I shall insist as vigorously as possible that that silver, as it comes

back into the Treasury and as additional funds are needed, be monetized the same as the 300,000,000 ounces which are now free, and I am hopeful that that will be done.

Mr. TAFT. The policy to which the Senator has referred and which the Secretary of the Treasury has endorsed, does not apply to that silver, but only to the free silver in the Treasury?

Mr. MURDOCK. The Senator is correct in that statement.

Mr. THOMAS of Oklahoma. Mr. President, the purpose of this amendment was to make use of our surplus silver. The Treasury has issued certificates in payment for the silver, and if no good use is to be made of the silver, of course, it will be a dead commodity, so to speak, in the Treasury of the United States. My purpose in offering this amendment was to make use of that silver by directing the Secretary to put the silver either in the Fund or the Bank, and thus decrease the amount of dollars that would have to be put in the Fund or Bank. Under the proposal as it stands before the Senate, the Treasury would put into those two funds—the Bank fund and the Fund itself—$1,800,000,000 of gold, and the balance, in the sum of $4,125,000,000, would be deposited in the two funds in the form of dollars, the kind of dollars that we appropriate and have in circulation. So in order to decrease the number of dollars we would have to put in those two funds I proposed to direct the Treasury Department to add to those funds what silver we have. The amendment which I offered was to put the silver in the Fund on the basis of the value of the silver in terms of gold. If the silver were worth 50 cents an ounce, it would require 2 ounces of silver to make $1 in the Fund of either the Fund proper or the Bank.

However, judging from the statement of the Senator from Utah, the Treasury has made a more liberal proposition than my amendment proposes. My amendment would require silver to be placed in the Fund or the Bank on the basis of its value in terms of gold; but the proposition of the Treasury Department is to monetize the silver on the basis of $1.29 an ounce. If that is done, we can as a result of this monetization take the certificates and put them in the Bank on the basis of $1.29 an ounce, or more than double the dollars which my amendment would provide. In view of the promises made I am not prepared to urge my amendment; so I will make the record, and after I shall have done so, I will withdraw the amendment.

I now ask to have placed in the RECORD a letter from the Under Secretary, Mr. Bell, stating the number of ounces of silver that have been disposed of to other countries. In brief, the statement is as follows: Australia received recently 11,800,000 ounces; Ethiopia, 5,400,000 ounces; the Fiji Islands, 200,000 ounces; India, 140,000,000 ounces; the Netherlands, 56,700,000 ounces; the United Kingdom, 62,100,000 ounces; and Saudi Arabia, 13,100,000 ounces; or a total of 289,300,000 ounces.

I ask that the entire letter be printed in the RECORD at this point as a part of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE UNDER SECRETARY OF THE TREASURY,
Washington, April 26, 1945.

Hon. ELMER THOMAS,
United States Senate.

MY DEAR SENATOR: Reference is made to your letter of April 9, 1945, to Secretary Morgenthau requesting certain information in regard to silver.

1. The largest amount of silver that has been held by the United States Government at the end of any month was the 2,906,400,000 fine ounces held on May 31, 1942.

2. (a) Under the provisions of the act of July 12, 1943, commonly known as the Green Act, 85,300,000 fine ounces were sold in accordance with War Production Board priorities through March 31, 1945. An amount of 11,400,000 fine ounces sold to the Philippine Government for coinage purposes is included in this total of 85,300,000.

(b) No silver has been sold by the Treasury to a foreign government since 1940.

(c) Through March 31, 1945, the following amounts of silver have been supplied to the specified foreign governments under lend-lease for coinage purposes and other war uses:

	In millions of fine ounces
Australia	11.8
Ethiopia	5.4
Fiji Islands	.2
India	140.0
Netherlands	56.7
United Kingdom	62.1
Saudi Arabia	13.1
Total	289.3

During the war period an amount of 903,000,000 fine ounces of silver has been made available for nonconsumptive uses in war plants under lease arrangements.

3. The reports on foreign monetary stocks received by the Bureau of the Mint during the war period have been so incomplete that no accurate estimate of the amount of silver held at the present time by foreign governments and peoples can be made upon the basis of these reports. It may be conjectured, however, that exclusive of silver obtained under lend-lease, silver in foreign countries amounted to 3,000,000,000 ounces of monetary silver and 7,000,000,000 ounces of nonmonetary silver as of December 31, 1944.

For your information, there is enclosed a Treasury press release of December 7, 1944, relating to the use of Treasury silver in the war effort.

Very truly yours,

D. W. BELL,
Under Secretary of the Treasury.

Mr. THOMAS of Oklahoma. Along with the letter from the Treasury Department, I received a press release dated December 7, 1944. It is an explanation of the status of the silver which at that time was in the Treasury. I ask unanimous consent that the statement be printed in the RECORD at this point as a part of my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

Treasury silver to the amount of 1,226,300,000 fine ounces has been put to work in a variety of war jobs since Pearl Harbor, Secretary of the Treasury Morgenthau said today. Most of the tasks assigned to this large quantity of metal have been under lease arrangements, the rest under lend-lease and outright sale.

The Treasury early in 1942 launched a policy of directing all available silver into urgent war uses. Its legal staff, with the concurrence of the Attorney General and the approval of the President, found authority for releasing "free silver" holdings to war plants under lease contracts; a considerable amount of "silver ordinary", to which usual restrictions did not apply, was disposed of; further sale and leasing of silver was facilitated by new legislation.

Wartime silver transactions accomplished so far under the Treasury policy were summed up by Secretary Morgenthau, as follows:

Provided for nonconsumptive uses in war plants under lease arrangements, 903,000,000 fine ounces.

Supplied to various foreign governments under lend-lease for coinage purposes and other war uses, 243,700,000 fine ounces.

Sold from "silver ordinary" stock to industrial users certified by War Production Board, 5,000,000 fine ounces.

Sold in accordance with WPB priorities under terms of the act of July 12, 1943, commonly known as the Green bill, 41,000,000 fine ounces.

Used as basis of new alloy developed by the Bureau of the Mint for coinage of wartime "silver nickels," 33,600,000 fine ounces.

For many of these uses copper previously had been required, and the substitution of silver released thousands of tons of copper for other vital war-production needs. Development of the wartime silver nickels using an alloy of silver lessened considerably the requirements of the Bureau of the Mint for both copper and nickel for coinage.

Curtailment of Treasury purchases of silver also has contributed to the employment of the metal in war tasks. Practically all foreign silver received in this country since Pearl Harbor has gone into essential manufactures under WPB priorities. Domestically mined silver is made available in limited quantities under WPB control to nonessential industries, acquisitions of newly mined domestic silver by the Treasury having been reduced to purely nominal quantities.

Most of the Treasury silver distributed under lease to war plants has been fabricated into electrical conductors for installation in aluminum and magnesium plants and other factories engaged in war work. Title to this silver remains in the Treasury. The uses to which it is put are nonconsumptive, and all of the metal will be returned to the Treasury after the termination of the war. This leasing arrangement was inaugurated in April 1942 in cooperation with the Defense Plant Corporation. A small part of the silver turned over to the Defense Plant Corporation already has been returned to the Treasury with an "honorable discharge" from its war duties.

Far eastern areas have benefited from the lend-leasing of silver to foreign governments. India, for example, received an allotment of 100,000,000 fine ounces. The Government of the Netherlands, among others, arranged with the Treasury for supplies of silver to be used in coinage. All the lend-lease contracts with foreign governments require return of the silver to the Treasury on an ounce-for-ounce basis after the war.

Silver made available to war industries under the act of July 12, 1943, is used for the production of engine bearings, brazing alloys and solders, by WPB order. Sales of silver made under the authority of this act are at the fixed price of 71.11 cents per fine ounce.

Sale of a stock of silver ordinary was made in the fall of 1942 to industries which were in urgent need of the metal for immediate war production uses. Silver ordinary represents minor accumulations from such sources as purchases for coinage prior to the Silver Purchase Act, recoveries of bullion lost in melting and coining processes, and balances of silver in excess of amounts estimated to be contained in mutilated coin.

Mr. THOMAS of Oklahoma. Mr. President, recently a financial writer, Mr. Robert P. Vanderpoel, prepared a statement under the heading "Silver

makes real war contribution." There are two paragraphs in this statement under the subheading entitled "Silver Goes to War." I ask unanimous consent that those two paragraphs in the statement be printed in the RECORD at this point as a part of my remarks.

There being no objection, the paragraphs were ordered to be printed in the RECORD, as follows:

SILVER GOES TO WAR

Secretary Morgenthau has just revealed that 1,226,300,000 fine ounces of Treasury silver have been put to work in a variety of war jobs. Some of the silver has been leased to industry, some has been lend-leased to other nations, and some has been sold outright.

More than 900,000,000 ounces have gone directly into war plants in this country.

Mr. THOMAS of Oklahoma. On June 21, 1944, just prior to the assembling of the delegates at Bretton Woods, a number of Senators prepared a statement asking the conference to consider silver. The original of this statement was sent to the President. I ask unanimous consent to have the statement, together with the names of the signers printed in the RECORD at this point as a part of my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

UNITED STATES SENATE,
SPECIAL COMMITTEE ON THE
INVESTIGATION OF SILVER,
June 21, 1944.

The PRESIDENT,
The White House.

DEAR MR. PRESIDENT: We have studied the International Monetary Fund plan that has been made public by the United States Treasury. Since whatever plan is ultimately adopted will have to be approved by the Congress, we feel it is our duty to pass on to you without delay certain conclusions we have reached pertaining to this plan.

The experts' plan suffers from a basic, organic defect in that no place in it is assigned to silver. As a result, there will be an insufficiency of media for the settlement of international balances, and the use of silver as money will be undermined.

We strongly urge, therefore, that the plan be revised forthwith so that parities for the currencies of member countries will be fixed in silver, as well as gold. By specifying fixed parities in terms of silver also, the following results would be attained:

1. The physical supply of standard money would be expanded for the enlarged needs of the postwar world.

2. The preference of a large part of the population of the world for silver money would be recognized.

3. The nations of Europe and the Far East now in the throes of wild paper-money inflation could return to silver coinage on a sound basis.

4. The remonetization of gold and silver would thus be effected simultaneously and internationally.

Elmer Thomas, Chairman, Special Silver Committee; Edwin C. Johnson; Pat McCarran; Sheridan Downey; James E. Murray; Abe Murdock; Ernest W. McFarland; Harlan J. Bushfield; E. V. Robertson; Carl Hayden; Mon. C. Wallgren; Guy Cordon; Gerald P. Nye; J. G. Scrugham; B. K. Wheeler; Hugh Butler; Henrik Shipstead; Dennis Chavez; Jno. Thomas; Kenneth S. Wherry; Elbert D. Thomas; Chan Gurney; Carl A. Hatch; Rufus C. Holman; D. Worth Clark; E. H. Moore.

Mr. THOMAS of Oklahoma. Mr. President, since 1933 a number of laws with regard to silver have been enacted by the Congress and a number of orders and directives have been issued by the President. I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a condensed chronology of action with regard to silver subsequent to March 4, 1933.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

CONDENSED CHRONOLOGY OF ACTION WITH REGARD TO SILVER SUBSEQUENT TO MARCH 4, 1933

May 12, 1933: The President was authorized to fix the weight of the silver dollar, to provide for unlimited coinage of silver, and for a period of 6 months from the date of the passage of the act to accept silver in payment of the whole or any part of the debt due from any foreign government to the United States, such silver to be accepted at not to exceed the price of 50 cents an ounce. Under this latter authority 22,734,824.35 fine ounces of silver were received from foreign governments, which, at 50 cents an ounce, were valued at $11,367,412.18. (Thomas amendment.)

July 22–26, 1933: An agreement was entered into between the United States, Australia, Canada, China, India, Mexico, Peru, and Spain relative to silver. The entire London Economic Conference also adopted a resolution relating to silver. (See Executive Agreement Series No. 63, U. S. Government Printing Office, Washington, D. C., 1934.)

December 21, 1933: The President by proclamation directed the coinage mints to receive for coinage into standard silver dollars, silver mined subsequent to December 21, 1933, from natural deposits in the United States or any place subject to the jurisdiction thereof. Fifty percent of the silver so received by the mint was deducted as seigniorage and the amount returned to the depositor of the silver was 64 plus cents per fine ounce. Supplemental proclamations were issued on April 10 and April 24, 1935, reducing the amount retained for seigniorage to 45 and 40 percent, respectively, and resulting in a return to the depositor of 71 plus cents per fine ounce of eligible silver mined on or after April 10, 1935, but prior to April 24, 1935, and a return of 77.57 plus cents per fine ounce for eligible silver mined on or after April 24, 1935. Regulations governing the receipt of newly mined domestic silver have been issued from time to time. The proclamation of December 21, 1933, as amended, provided that it "shall remain in force and effect" until December 31, 1937, unless repealed or modified.

January 30, 1934: The Gold Reserve Act vested in the President certain authority with respect to fixing the weight of the silver dollar and subsidiary coins and the issuance of silver certificates.

June 19, 1934: The Silver Purchase Act (among other things) declared it to be the policy of the United States that the proportion of silver to gold in the monetary stocks of the United States should be increased, with the ultimate objective of having and maintaining one-fourth of the monetary value of such stocks in silver; and whenever and so long as the proportion of silver in the stocks of gold and silver of the United States is less than one-fourth of the monetary value of such stocks, the Secretary of the Treasury, subject to certain conditions, is authorized and directed to purchase silver at such rates and at such times and upon such terms and conditions as he may deem reasonable and most advantageous to the public interest. Provision was also made for the sale of silver under certain conditions, the issuance of silver certificates, regulations of the acquisition, importation, exportation, or transportation of silver, the "nationalization" of silver, and the imposition of a tax of 50 percent of the profits made on certain transfers of silver. Treasury regulations relating to the tax on transfers of interests in silver bullion were issued on June 19, 1934. These regulations have been amended from time to time.

June 28, 1934: The Secretary of the Treasury issued regulations relating to the exportation of silver from the United States.

August 9, 1934: Executive order was issued requiring the delivery of certain silver to the United States mints, and the amount returnable for the silver was fixed at 50-plus cents per fine ounce. On the same day the President by proclamation made eligible for receipt by the United States mints certain silver situated in the continental United States on August 9, 1934. The amount returned for such silver was 50-plus cents per fine ounce.

August 17, 1934: Treasury regulations were issued relating to the delivery and receipt of silver under Executive order and proclamation of August 9 and relating to transactions in silver and the filing of reports relative thereto. These regulations have been amended from time to time.

May 20, 1935: The order of the Secretary of the Treasury of June 28, 1934, relating to silver was amended so as to prohibit, except under license, the importation into the continental United States of certain foreign silver coin. The total receipts of silver by the United States mints under the Executive proclamation of December 21, 1933, by purchase as provided in the Silver Purchase Act of June 19, 1934, and by transfer under the Executive proclamation of August 9, 1934, amounted to 1,280,677,719 ounces of silver as of the close of business on June 30, 1937.

July 6, 1939: The Congress enacted legislation providing that the mints shall receive for coinage into standard silver dollars silver mined subsequent to July 1, 1939, from natural deposits in the United States and the director of such mint shall pay to the producer of such silver approximately 71 cents per fine ounce for the silver so produced and delivered.

It has been estimated by some authorities on silver that there has been produced to date some ten billion ounces which has been either coined or held in reserve as monetary metal. This, of course, is in addition to the silver which has been used for jewelry, in the arts and in the manufacture of the many and various items for exchange in trade and commerce.

Of the silver used for coin, and monetary reserves, the United States has acquired and now (May 10, 1941) holds 2,846,377,739.21 fine ounces.

Mr. THOMAS of Oklahoma. I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a statement showing the various commodities which have been in the past used for money, not only in this country but throughout the world. It shows that practically everything movable of value has been used for money at one time or another.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

COMMODITY MONEY IN VARIOUS COUNTRIES

Grain—early money among all peoples.
Spice and amber—money of the Baltic.
Rock salt—money of Asia and Africa.
Fish hook—money of the Eskimos.
Tobacco—Virginia Colony and south seas.
Nails—New England and Scotland.
Soap—Mexico.
Hard cheese—China.

Woodpecker scalps—Oregon and among Indians.
Cocoa beans—Mexico.
Grass mats—south seas.
Silk—Mongolia.
Cotton cloth—money today in the Congo.
Beaver and coon skins—American Colonies.
Gold dust and nuggets—in gold fields.
Whisky—part pay in United States railroad construction.
Groceries, clothing, and general commodities—in America today on construction works.
Musket balls and flints—early Colonies.
Brick tea—money of Mongolia, Tibet, and Siberia.
Bread—money of Alaska.
Bamboo—money of China.
Gum drops—Eskimos.
Knife, dress, bridge, spear, and other shaped bronze coins—of ancient China.
Chopping knife—coins of the Aztecs.
Ring—money of the Celts.
Spear—coins of the Congo.
Copper cross—the Balbuba's price for a wife.
Plate—money of Sweden and Russia.
The large coin, Sweden, copper, 12 by 24 inches, weighing 31 pounds.
The smallest coin, India, gold, size of a large pinhead; weight, 1 grain.
Shoe and boat shape silver—China.
Bullet and pack saddle—Siam.
Hat money—Penang.
Metal shells, leech and tiger tongue—coins of the Laos States.
Wire—money of Arabia.
Bar—money of Java and Ceylon.
Metal coins from iron to platinum.
Coins of glass, porcelain, clay, rubber, wood, birch bark.
Stone money of Yap up to 30 inches in diameter, weight up to 170 pounds.
(NOTE.—Many of the above forms of money are included in the remarkable collection of the Chase National Bank, New York.)

Mr. THOMAS of Oklahoma. I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a statement with respect to silver. I had intended to read the statement, but now find that to be unnecessary. I will content myself by asking that the statement be printed in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD as follows:

Silver is one of the "noble" metals, not easily oxidized and is used for coin, jewelry, plate, photography, and for a multitude of other purposes.

The principal properties of silver, upon which much of its usefulness rests, are (1) its resistance to a wide variety of corrosive agents; (2) its strong bonding power; (3) its electrical and thermal conductivity; (4) its remarkable optical reflectivity, and, (5) its ability to form salts and compounds with valuable photosensitive and bactericidal properties.

Silver falls in the same class with gold and platinum as regards corrosion resistance. It is not subject to atmospheric corrosion and is exceptionally resistant to weak acids and organic compounds, including those encountered in food products. Because of its resistance to alkalies, organic acids, and certain mineral acids, silver found wide use in the chemical industry as a lining for equipment, such as stills, condensers, autoclaves, tanks, piping, heating coils, and reaction vessels, even when tin was readily available. Silver is resistant to acetic, lactic, formic, and carbolic acids; acetate rayon, vinegar, dyestuffs, sodium and potassium hydroxide, ink, tanning chemicals, essential oils, and perfume essences.

The superiority of silver for electrical purposes has long been recognized. It is a better conductor of electricity than copper, the relative conductivity being 100 to 92.7; it is, furthermore, free from oxides which resist the passage of the current.

Silver is the whitest of all metals, and its reflectivity is of the order of 95 percent through the region of greatest sensitivity of the human eye; in the infra-red section, the metal may reflect as much as 98 percent.

The photosensitivity of silver salts, for example, the halides, is the basis upon which the photographic industry has been built. Aerial photography has increased the demand for silver in this field.

During recent years silver has attained a new and important strategic position. It is no longer used only as a metal for exchange media, as a reserve for paper currency, and in the fabrication of tableware, household ornaments, jewelry, and novelties. These uses have long been generally recognized, but many of the new uses are not so well known. Silver plays a part in the building of airplanes, battleships, submarines, and tanks, and in the manufacture of many guns, bombs, torpedoes, and shells that go into battle service. Moreover, it is used to conduct electric power for the production of aluminum, the metal of which many articles of war equipment are largely made. Silver is used also in lighting, telephone, and telegraph systems, railway-signaling devices, air-conditioning units, domestic refrigerators, and washing machines, and, to a limited extent, in a multitude of other products.

The demand for the minting of silver coins also has increased. In addition to coins for our own use we produced 281,050,000 coins for foreign countries in the fiscal year ended June 30, 1942.

Such a metal, with its voluminous uses, is not destined to become even a near worthless commodity, instead, the demand for silver will increase rather than diminish.

From the earliest days silver has been considered a precious metal and from antiquity has been used as money. Following are some of the ancient silver coins: The didsachm of Aegina, containing 192 grains, issued 700 B. C.; the coin of Caulonia, containing 128 grains, issued 700 B. C.; the Syracusan medallion, containing 263.6 grains, issued 485 B. C.; the tetradrachm of Ephenes, containing 234 grains, issued 400 B. C.; the stater of Amphipolis, containing 250.5 grains, issued 400 B. C.; the coin of Argos, containing 184 grains, issued 400 B. C.; the Roman denarius, containing 66.7 grains, issued 280 B. C.; the Roman victoriatus, containing 44.5 grains, issued 280 B. C.; the sheckle of Jerusalem, containing 220 grains, issued 143 B. C.; and the Roman aurens, containing 123 grains, issued about 27 B. C.

As civilization advanced silver remained the popular monetary metal throughout the world. At the birth of the American Republic practically all nations were on bimetallic standards. This meant that the nations used both silver and gold as money, and further that such nations maintained a fixed ratio between the two metals. Inasmuch as silver was more plentiful than gold the ratio was established on the basis of the quantity production of the two metals and ranged from 12 to 1 to 16 to 1.

As the Colonies progressed, they found many reasons for the joint adoption of a common monetary unit and the first unit agreed upon was the Spanish milled dollar. Later, upon the recommendation of Thomas Jefferson, the Continental Congress, by the resolution of July 6, 1785, adopted the dollar as the money unit of account.

At first the weight of the dollar was fixed temporarily at 375.64 grains of fine silver, but very soon steps were taken to regulate and fix the weight permanently. The authorities collected 1,000 of the newest and least worn Spanish milled dollars and melted such dollars in order to separate the alloy from the fine silver and then the weight of the residue—fine silver bullion—was divided by 1,000 in order to secure the average weight of fine silver in the circulating Spanish milled dollars.

Through this process the average weight was found to be 371¼ grains of fine silver; hence, the authorities regulated and fixed the weight of the standard dollar at the said 371¼ grains of fine silver and from that time until the present the amount of fine silver in the standard dollar has never been changed.

The weight of the gold dollar, however, has been changed at least on three separate occasions since its first adoption as a joint standard of value. The weight of the gold dollar was reduced twice during the administration of President Jackson and then 100 years later the weight was still further reduced during the administration of President Roosevelt.

From the earliest times silver has been regarded as the peoples' money as distinguished from gold, the favored money of the rich and well to do peoples of the world.

Because of the greater demand for silver than gold, the white metal was, during much of the earlier-day period, at a premium over gold.

In 1834, as stated, the weight of the gold dollar was reduced and the ratio between gold and silver was thrown out of balance and from such time up to 1873, when silver was demonetized, the silver dollar commanded a premium over gold of some two to five cents per unit.

Previous to the Napoleonic wars silver was the principal money of Great Britain, and sometimes was the only coin. But after the Battle of Waterloo, and when peace had been fully established throughout Europe, England, in 1816, passed a law demonetizing silver and adopting the single gold standard. During the fifties, and while there was an enormous output of gold from California and Australia, an effort was made by Chevalier, of France, and Maclaren, of England, and other writers upon political economy, to demonetize gold. Germany, Austria, and Holland adopted the single silver standard and closed their mints against gold. The effort to demonetize the yellow metal, because it was plentiful and cheap, would have succeeded if England could have been satisfied that gold would continue to be the plentier metal. In 1854 England sent commissioners to California and Australia to investigate the probable continuance of the output of gold, and after thorough investigation it was ascertained that the great gold placers would soon be exhausted.

England inferred, and correctly so, from the experience of 350 years that in the long run silver would be more plentiful than gold, and she therefore adhered to her gold policy.

The War Between the States closed in 1865. In that same year a union was formed between France, Italy, Greece, Belgium, and Switzerland, by which it was agreed to establish common coins, weights, and measures.

In 1867 the French Emperor extended an invitation to the United States and all the nations of Europe to hold a conference in Paris for the purpose of extending the principles of the union throughout the commercial world. Mr. Samuel B. Ruggles was appointed commissioner for the United States.

It is agreed by many writers, supported by letters and official records, that the movement for the general demonetization of silver and the establishment of the single gold standard was brought about by the delegations attending the conference in Paris.

The act of Congress demonetizing silver and establishing the single gold standard has been the subject of much discussion and debate. The history of the passage of the act will not be dwelt upon here further than to call attention to the facts: (a) That at least two attempts were made to demonetize silver prior to 1873, but upon each occasion when it was known just what was proposed to be accomplished the demonetization bills received practically no support; and, (b) The bill, later to become the act of February 12,

1873, was so manipulated in its passage through both the House and Senate that none of the Members, save those who were in charge of the measure, knew that if enacted it would demonetize silver and set up the single gold standard.

The bill had a title as follows—"An act revising and amending the laws relative to the mints, assay offices and coinage of the United States," and contained 67 sections.

The title of the bill was misleading and no one save the authors and managers suspected that the measure contained any device for the demonetization of silver. In the brief presentation of the bill to the Senate, Mr. Sherman, the Senator from Ohio, represented the measure to be a mere codification of the mint laws, with only such changes as were necessary to harmonize and make such laws into a consistent system.

The bill did not contain any direct provision for the demonetization of silver but it was "what it did not contain" that destroyed silver as one of he primary and basic monetary metals. The bill omitted the silver dollar from the list of coins, which omission was not observed and the attention of the Senate was not called to such fact.

The section, 15, of the act of February 12, 1873, which demonetized silver, is as follows:

"SEC. 15. That the silver coins of the United States shall be a trade dollar, a half dollar, or 50-cent piece, a quarter dollar, or 25-cent piece, a dime, or 10-cent piece; and the weight of the trade dollar shall be 420 grains troy, the weight of the half-dollar shall be 12 grams and one-half of a gram, the quarter dollar and the dime shall be, respectively, one-half and one-fifth of the weight of said half-dollar; and said coins shall be a legal tender at their nominal value for any amount not exceeding $5 in any one payment."

As will be noted, section 15 made no reference to the standard silver dollar and in section 14 it was provided "That the gold coins of the United States shall be a one-dollar piece which, at the standard weight of 25.8 grains, shall be the unit of value; * * *"

In support of the conclusions reached and expressed relative to the demonetization of silver, the following persons are called to testify—

Senator Thurman, on the 15th of February, 1878, in debate said:

"I cannot say what took place in the House, but know when the bill was pending in the Senate we thought it was simply a bill to reform the mint, regulate coinage, and fix up one thing and another, and there is not a single man in the Senate, I think, unless a member of the committee from which the bill came, who had the slightest idea that it was even a squint toward demonetization." (CONGRESSIONAL RECORD, vol. 7, pt. 2, 45th Cong., 2d sess., p. 1064.)

Senator Conkling, in the Senate, on March 30, 1876, during the remarks of Senator Bogy on the bill (S. 263) to amend the laws relating to legal tender of silver coin, in surprise, inquired:

"Will the Senator allow me to ask him or some other Senator a question? Is it true that there is now by law no American dollar? And, if so, is it true that the effect of this bill is to make half dollars and quarter dollars the only silver coin which can be used as a legal tender?" (CONGRESSIONAL RECORD, vol. 4, pt. 3, 42d Cong., 1st sess., p. 2062.)

On February 15, 1878, during the consideration of the bill above referred to, the following colloquy between Senator Blaine and Senator Voorhees took place:

"Mr. VOORHEES. I want to ask my friend from Maine, whom I am glad to designate in that way, whether I may call him as one more witness to the fact that it was not generally known whether silver was demonetized. Did he know, as Speaker of the House, presiding at that time, that the silver dollar was demonetized in the bill to which he alludes?

"Mr. BLAINE. I did not know anything that was in the bill at all. As I have before said, little was known or cared on the subject. [Laughter.] And now I should like to exchange questions with the Senator from Indiana, who was then on the floor and whose business it was, far more than mine, to know because by the designation of the House I was to put questions; the Senator from Indiana, then on the floor of the House, with his power as a debater, was to unfold them to the House. Did he know?

"Mr. VOORHEES. I very frankly say that I did not." (Ibid., p. 1063.) Senator Beck, in a speech made in the Senate January 10, 1878, said:

"It (the bill demonetizing silver) never was understood by either House of Congress. I say that with full knowledge of the facts. No newspaper reporter—and they are the most vigilant men I ever saw in obtaining information—discovered that it had been done." (CONGRESSIONAL RECORD, vol. 7, pt. 1, 45th Cong., 2d sess., p. 260.)

Senator Hereford, in the Senate, on February 13, 1878, in discussing the demonetization of silver, said:

"So that I say that beyond the possibility of a doubt (and there is no disputing it) that bill which demonetized silver, as it passed, never was read, never was discussed, and that the chairman of the committee who reported it, who offered the substitute, said to Mr. Holman, when inquired of, that it did not affect the coinage in any way whatever." (Ibid., p. 989.)

Senator Howe, in a speech delivered in the Senate on February 5, 1878, said:

"Mr. President, I do not regard the demonetization of silver as an attempt to wrench from the people more than they agree to pay. That is not the crime of which I accuse the act of 1873. I charge it with guilt compared with which the robbery of two hundred million is venial." (CONGRESSIONAL RECORD, vol. 7, pt. 1, 45th Cong., 2d sess., p. 764.)

General Garfield, in a speech made at Springfield, Ohio, during the fall of 1877, said:

"Perhaps I ought to be ashamed to say so, but it is the truth to say that, I at that time being chairman of the Committee on Appropriations, and having my hands over-full during all that time with work, I never read the bill. I took it upon the faith of a prominent Democrat and a prominent Republican, and I do not know that I voted at all. There was no call of the yeas and nays, and nobody opposed that bill that I know of. It was put through as dozens of bills are, as my friend and I know in Congress, on the faith of the report of the chairman of the committee; therefore, I tell you, because it is the truth, that I have no knowledge about it." (CONGRESSIONAL RECORD, vol. 7, pt. 1, 45th Cong., 2d sess., p. 989.)

Mr. Holman, in a speech delivered in the House of Representatives July 13, 1876, said:

"I have before me the record of the proceedings of this House on the passage of that measure, a record which no man can read without being convinced that the measure and the method of its passage through this House was a 'colossal swindle.' I assert that the measure never had the sanction of this House, and it does no possess the moral force of law." (CONGRESSIONAL RECORD, vol. 4, pt. 6, 44th Cong., 1st sess., Appendix, p. 193.)

Mr. Cannon, of Illinois, in a speech made in the House on July 13, 1876, said:

"This legislation was had in the Forty-second Congress, February 12, 1873, by a bill to regulate the mints of the United States, and practically abolished silver as money by failing to provide for the coinage of the silver dollar. It was not discussed, as shown by the RECORD, and neither Members of Congress nor the people understood the scope of the legislation."

After the enactment of this law silver was still money but only token money and gold became the basic, primary money for redemption purposes.

From 1873 to 1900 many efforts were made to remonetize silver but all such efforts failed.

On March 14, 1900, the Congress enacted legislation providing as follows:

"PUBLIC, NO. 39

"SEC. 1. That the dollar consisting of twenty-five and eight-tenths grains of gold nine-tenths fine, as established by section 3511 of the Revised Statutes of the United States, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity."

While the United States has been on the single gold standard since 1873, yet at the present time the law is such that we could go on a bimetallic standard at any time within the discretion of the President.

In the act approved May 12, 1933, it is provided in section 43, among other things, as follows:

"The President is authorized—

* * * * * *

"(2) By proclamation to fix the weight of the gold dollar in grains nine-tenths fine and also to fix the weight of the silver dollar in grains nine-tenths fine at a definite fixed ratio in relation to the gold dollar at such amounts as he finds necessary from his investigation to stabilize domestic prices or to protect the foreign commerce against the adverse effect of depreciated foreign currencies, and to provide for the unlimited coinage of such gold and silver at the ratio so fixed."

Thus, under the broad powers conferred, the President may, within his discretion, either increase or decrease the size and weight of the standard silver dollar and under the same powers conferred he has already reduced the size and weight of the gold dollar by some 40 percent.

As an additional recognition of silver, the Congress passed the Silver Purchase Act of 1934 wherein it is provided as follows:

"SEC. 2. It is hereby declared to be the policy of the United States that the proportion of silver to gold in the monetary stocks of the United States should be increased, with the ultimate objective of having and maintaining, one-fourth of the monetary value of such stocks in silver."

In order to carry out the policy as outlined in section 2 of the act, the Secretary of the Treasury is authorized and directed to purchase silver at home or abroad until either one of two things happen: (a) Until the commercial price of silver reaches the monetary value of the metal or $1.29 per ounce, or (b) until the silver purchased and held equals in value one-fourth of the metallic reserves of the United States.

Under the act the United States has acquired and now holds almost 3,000,000,000 ounces of silver.

Then again under the provisions of the act approved July 1, 1939, the United States is accepting all domestically mined silver and is paying for same the sum of some seventy-one cents plus per ounce, which means, in effect, that the mints are open to the free and unlimited coinage of domestically mined silver at the ratio of $1 for approximately 1½ ounces of silver.

At the present time silver is recognized as one of the most useful and valuable commodities everywhere and is used as either primary or token and subsidiary coinage money in most countries.

In the United States we are using silver as money as follows: (a) approximately 50,000,000 standard silver dollars in circulation; (b) approximately $400,000,000 in subsidiary silver coin—halves, quarters, and dimes—in circulation; and, (c) almost $2,000,000,000 in silver certificates in circulation.

Every silver certificate states on its face that "This certifies that there is on deposit in the Treasury of the United States of America one dollar (or the amount of the

bill) in silver payable to the bearer on demand."

This certificate means that there is $1 in silver, as measured by gold, back of every dollar in such certificate so that silver certificates are based upon and backed by full value making them worth 100 cents to the dollar as valued in gold.

Thus it is seen that in addition to the fact that silver is favored by law, the white metal is most useful and valuable for use in the arts, photography, manufacturing, trade and commerce, all of which gives the metal a permanently recognized place among the major commodities of the world.

Mr. THOMAS of Oklahoma. Mr. President, with the record made, and upon the basis of the statement and promise made by the Senator from Utah [Mr. MURDOCK] that the Treasury is to commence coining our silver on the basis of $1.29 an ounce, coining the silver we now have in the Treasury, and his statement that he hopes to have the remaining silver, as it comes back, likewise coined in the future, I am content, so I withdraw my amendment.

The PRESIDING OFFICER. The amendment of the Senator from Oklahoma is withdrawn.

The bill is before the Senate and open to further amendment.

Mr. TAFT. Mr. President, I offer the amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Ohio will be stated.

The LEGISLATIVE CLERK. On page 2, at the end of line 6, it is proposed to add the following:

Provided, however, That this acceptance shall become effective only when the governments of the countries having 65 percent of the quota set forth in schedule (a) shall have agreed that the Articles of Agreement to the Fund shall be amended to insert section 6 in article XIV, as follows:

"SEC. 6. No member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency until it shall have removed all restrictions inconsistent with article VIII, sections 2, 3, and 4."

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield to the Senator from Kentucky.

Mr. BARKLEY. I have consulted with the Senator from Ohio, and the arrangement which I am about to propose is agreeable to him, as well as to the Seantor from Oklahoma.

I ask unanimous consent that during the further consideration of the pending bill no Senator shall speak more than once cr longer than 15 minutes on the bill or any amendment.

Mr. BALL. I object.

The PRESIDING OFFICER. Objection is heard.

The question is on agreeing to the amendment offered by the Senator from Ohio.

Mr. TAFT. Mr. President, the purpose of this amendment is to provide that if the Fund goes into effect a nation which wishes to obtain currency from the fund, may not do so until it removes the currency restrictions and discriminations which it is the purpose of the Fund to remove. The whole purpose of the Fund, as stated in the Articles and in the various speeches proposing it—or, rather, one of the two purposes; one purpose is to establish stability of exchange—is to remove all currency discriminations. The argument is that those discriminations grew up in the 1930's, really, when the Germans were experts in special kinds of currencies. The proposal is that those be removed. It seems obvious to me that if we are to put our money into this Fund, it should not go to some nation which takes the money and does not in any way remove those restrictions. I cannot understand the purposes for which this Funds is proposed to be established if it is not going to be carried out for 5 years.

My amendment is a proposal to amend article XIV. Article XIV now reads as follows, on page 29:

Exchange restriction. In the postwar transitional period members may, notwithstanding the provisions of any other articles of this agreement, maintain and adapt to changing circumstances (and, in the case of members whose territories have been occupied by the enemy, introduce where necessary), restrictions on payments and transfers for current international transactions.

Mr. President, the very purpose of the proposal is to remove currency restrictions. Under another section of the proposal the members agree that they will not impose any restrictions on payments and transfers for current international transactions. The very reason that we are proposing putting $2,750,000,000 into this Fund is to bring about a removal of these restrictions. Of course, we can start the Fund, we can go on with the Fund, we can advance money to the nations which thereby will be to remove their restrictions, we can thereby assist them to remove the restrictions, but it seems to me that until the restrictions are removed other nations should not be able to get the American dollars which will be paid into the Fund by the United States Government. That is obviously the purpose of the amendment.

The condition at which the amendment is aimed exists chiefly today in the British Empire. I have already referred to the testimony which shows that today the British Empire is maintaining and is proposing to continue to maintain the currency restrictions which now are in effect. Lord Keynes said frankly that they cannot remove and will not remove those restrictions during the transitional period—a period of uncertain duration, he said. The agreement makes it clear that that will be at least 5 years, and may continue for a long time after 5 years.

So, Mr. President, I have called a number of cases to the attention of the Senate. I called the attention of the Senate to the fact that American airplanes have been offered to Egypt, but they cannot be purchased in Egypt because the Egyptians are told by the British, "No; you cannot make such a purchase with the pounds that you have or we will not recognize them in England. If you want to use those pounds at all, you can use them only to a limited extent, and you must use them to buy airplanes from Great Britain." The evidence on that point is perfectly clear.

Yesterday I referred to a case of chemical engineers in this country who have outstanding orders from India for vegetable ghee plants, a vegetable lard substitute. Yet they are told that although the India government has plenty of dollars that we have spent in India, the British will refuse to permit the importation of goods of that kind into India because they will not permit those dollars to be used for the purpose of buying goods from this country. The British Government insists on taking those dollars for itself, and gives the Indians British pounds which, if good at all, will be good only for the purchase of plants or other goods in Great Britain.

Mr. President, what is the sense of our putting in all this money for the purpose of expanding our export trade and for the purpose of removing exchange restrictions, if we are going to permit those restrictions to continue for a period of 5 years, while all the funds to which Great Britain is entitled under the agreement are drawn out by her and are used by her without doing any of the things she is supposed to do in return for the receipt of those moneys?

Mr. HICKENLOOPER. Mr. President, will the Senator yield to me?

Mr. TAFT. I yield.

Mr. HICKENLOOPER. I should like to ask the Senator from Ohio his opinion regarding the following observation: Bearing in min his argument made the other day about the sterling bloc areas and the restrictions imposed by the British Government on the British Commonwealth and on Britain's debtors, it appears to me that the British Empire is headed for the greatest economic isolation policy the world has seen for a great many years. We have heard so much in recent months and eyars about isolation and its evils that it would seem to me that that might be an economic evil that is rearing its ugly head at the very outset of an attempt by the United States to establish a freer commerce in the world's goods. Will the Senator from Ohio comment on that observation?

Mr. TAFT. Mr. President, I think the Senator from Iowa is correct. The British sterling area is now an area of isolation. It is almost impossible for us to trade with the British at the present moment. In fact, I would also say to the Senator that probably Russia is the greatest isolationist nation in the world today—so isolationist that Americans cannot even go into Russia or Russian-controlled territory except under the most severe restrictions and in the very fewest number possible. I do not know what the Russian economic policy is. It may or may not be isolationist. But certainly the British policy—and the policy which is really forced upon the British by their position—is one of the economic isolation of the British Empire to the greatest possible degree.

The British do not propose to permit any imports to come into Britain except in return for some exports which they propose to supply. They are acting contrary to the whole multilateral trade theory on which the Hull program has been based, on which our program is based; and under article XIV they are not only authorized to continue that economic isolationism but, besides that, we will give them out of this Fund $325,000,000 a year which they may draw down as a permanent loan until they

obtain $1,300,000,000 of American money which they may spend in this country for American products.

Mr. President, how will my amendment work if it goes into effect? Most of the Fund will go into effect. Most nations will be able to remove their restrictions—and certainly so, with the additional aid given by the Fund. The British will simply be in the position—and other nations will also be; I refer to Great Britain only as the chief example—of having to settle their economic affairs; they will have to secure other loans or they will have to adopt other policies and put themselves on a sound basis before they can draw the money under the Fund; that is all. If they can solve their problems, and if this money is insufficient to enable them to solve their problems—and it is—then, before they can get the advantage of this money they will have to solve their other problems.

I think that is a reasonable proposal. I think it is one which is in accord with all the logic of the situation. It seems to me that we should make it perfectly clear that we are going into this agreement for certain definite purposes and that we are not going to permit our money to be used until those purposes are secured.

Mr. BARKLEY. Mr. President, I wish very briefly to comment on the amendment offered by the Senator from Ohio. I think we should all understand that the effect of the amendment, and possibly its object—I do not know about that—is to kill the entire agreement. The amendment provides that the United States may not accept membership in the Fund until the Articles of Agreement have been changed by the nations who have signed it. To do that would require holding another convention or an assembly at Bretton Woods, or somewhere else. That, of course, would be impossible prior to the expiration of the time during which the nations representing 65 percent of the signers shall accept membership and place their contributions in the Fund. There can be no question whatever about that, because the Senator seeks in a very material way to amend the Articles of Agreement. He also seeks to prevent the United States from entering into the arrangement until the Articles of Agreement have been changed. That, as I have already said, would require holding another conference.

I assume that we all recognize the fact that a nation which has been under great stress financially, and otherwise, can no more recover overnight than a human being can recover overnight from typhoid fever, the measles, or pneumonia. No man who has ever undergone a long siege of illness was able to function on the day he got out of bed. Because of the long illness which many of the nations have undergone, many of them have not yet become convalescent.

Mr. President, what is this sterling area and the blocked sterling about which we have heard so much. The sterling area existed before the war. It existed among a group of nations which had financial, economic, and international trade agreements largely with England, or with the United Kingdom, and kept their deposits of exchange in the banks of London because it was more convenient for them to do so. Those nations were exporting either to the United Kingdom, or to other parts of the British Commonwealth, or were importing articles of trade from the United Kingdom or from various parts of the British Commonwealth. They were transacting more business with one another and with the British Empire, or with the British Commonwealth of nations, than they were with any other nation. Therefore, as a matter of convenience, they kept their balances of exchange in the banks of London.

Mr. President, there was also a dollar area prior to the war. I may say that the sterling area included all the countries of the British Empire with the exception of Canada and Newfoundland. It included Egypt, Iraq, Portugal, and some of the Scandinavian and Balkan countries. It should be kept in mind that prior to the war there was no formal arrangement between those countries regarding an exchange policy with respect to the sterling area. The relationship was entirely voluntary and informal. Fundamentally it was not far different from the close relationship which existed between the United States and a number of Latin-American Republics as well as other countries, including parts of the British Empire to which I have referred. Those countries with the close trade relationships with the United States conformed in a general way to our exchange policies, and they kept a considerable part, if not a majority, of their exchange balances in the banks of New York. They were trading with us, and it was convenient for them to keep their balances in the New York banks, just as the other countries to which I have referred kept their balances of exchange in the banks of London. It was purely an informal arrangement which existed prior to the war, and it continued during the war. I may say that notwithstanding these formal arrangements, exchange rates between countries of the sterling area varied considerably in many cases. It is impossible to define precisely the countries which could be regarded before the war as being sterling area countries. Those which I have named were in a general area embracing countries which carried on their exchange business chiefly with London.

The principal feature of the sterling area countries was in the concentration of their reserves in London banks, which held large foreign deposits in much the same way as the New York banks hold large deposits for the countries with which we trade.

Mr. President, no aspect of the prewar sterling arrangements is contrary to the principles of the International Monetary Fund. Until the outbreak of the war in 1939 the currencies of the sterling area were frequently convertible into dollars and other currencies, and no discriminatory exchange or restrictions applied on the basis of special relations between the various currency countries and the sterling countries. The prewar sterling principles, as I have said, as they might exist after the postwar transitional period, would be in complete harmony with the principles of the International Monetary Fund. However, it is a condition which cannot be easily brought about overnight or in the midst of war. As I have already said, a man who is suffering from a long illness cannot become normal and active as soon as he is able to get out of bed.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. TAFT. My point is that we should not give nations $325,000,000 next year when they will not be able to perform the purposes of the Bretton Woods program. The British have more than $2,000,000,000 in balances in this country. They do not need $325,000,000 in cash. Why give them any money until they remove the restrictions which are now in existence?

Mr. BARKLEY. The Senator from Ohio has tried to emphasize his contention that we should not put any money into the Fund because the British Government does not need it, and therefore we are dumping it in only for the purpose of giving it away.

Mr. TAFT. But it is contended that eventually we shall loan them $2,000,000,000 or $3,000,000,000.

Mr. BARKLEY. Objections to the restrictions to which reference has been made are largely centered on the sterling area and the blocked sterling of the United Kingdom.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. AIKEN. I wish to ask another elementary question. Why are the arguments against the Bretton Woods agreements all directed against the British Empire and Russia when more than half of the markets of the world are outside those two countries? As I understand, the British Empire and Russia control less than half of the markets of the world. I thought that it was the countries outside of the British Empire and Russia that we were trying to put on their feet through the Bretton Woods agreements. I am wondering why all the arguments have been directed against the British Empire and Russia when the great potential opportunity for expansion of commerce and trade lies probably outside those two countries. Those are the ones which offer us the opportunity for more trade, for an expanded trade both in sales and purchases. Why do we not consider this matter in the light of helping other countries of the world rather than the effect it is going to have on Russia and the British Empire?

Mr. BARKLEY. The only answer I can suggest to the Senator's inquiry is that those who are emphasizing the British and Russian situations evidently feel that there is some particularly vulnerable situation as applied to those two countries which might not be applicable to every country, and they are using that as an argument against the entire Fund.

Mr. AIKEN. It looks to me as if Russia and Great Britain were being used as "red herrings."

Mr. TAFT. Mr. President, will the Senator from Kentucky yield?

Mr. BARKLEY. I yield.

Mr. TAFT. The obvious reason is that our trade with Great Britain is greater than that with any other great nation in the world. Our trade with the

British Empire is by far our greatest trade, it is by far the trade capable of greatest expansion, and it is the trade that is being most limited.

The second reason is that Great Britain and Russia have the largest quotas outside of that of the United States, and, together with their satellites, will control the board of the Fund, so that if they agree with two or three others they may control entirely the operations of the Fund. It seems to me perfectly obvious that they are used as examples, and since they are the most important examples I do not see why they should not be used as illustrations.

Mr. BARKLEY. Of course, there is not a board of directors of any corporation anywhere in the world where three or four who have large blocks of stock cannot get together and control the votes of the board. The only remedy is for some one member to own a majority of the stock, and the Senator from Ohio would not be in favor of that.

Mr. AIKEN. The Senator from Ohio does no think, does he, that the ratification of the Bretton Woods agreements would diminish or destroy our trade with the British Empire?

Mr. BARKLEY. I yield to the Senator from Ohio to answer.

Mr. TAFT. Oh, no; but we give them a billion three hundred million dollars, for which we are not getting anything.

Mr. BARKLEY. That is merely the old, hackneyed argument, that we are giving them a billion three hundred million dollars. We are not giving them anything.

Mr. TOBEY. Mr. President, will the Senator from Kentucky yield?

Mr. BARKLEY. I yield.

Mr. TOBEY. Addressing myself to the majority leader, I would point out to him that at Bretton Woods this subject was gone into thoroughly by the delegates from all the nations, and at the hearings of Commission 1, I think it was, experts from every country testified that some flexibility like unto that provided in the article referred to is essential to carry the agreements into effect.

The Senator has cited to us the situation of Great Britain. We all realize what Great Britain is up against financially. She is almost in extremis in her plans for taking care of her economic future. There is the great problem of block balances which she must face, and in my opinion she will eventually fund a considerable part of these into long maturities.

There is the matter of her loss of the large income she obtained from investments in prewar days, no longer available because she was obliged to sell these investments to provide the sinews of war. There is the matter of the great losses she has sustained in her merchant marine.

Mr. President, that is but a part of the serious situation which confronts Great Britain today. About 17 percent of our foreign trade is with Great Britain, the rest with the world at large.

The situation before us is this: If the amendment offered by the Senator from Ohio shall be agreed to, it will hamstring the Bretton Woods agreements. They will have to go back and be acted on anew by 43 nations.

The Senator from Ohio did not read all of article 14, and I wish to read what he omitted. This is the good faith of the article, and the good intent:

> Members shall, however, have continuous regard in their foreign exchange policies to the purposes of the Fund; and, as soon as conditions permit, they shall take all possible measures to develop such commercial and financial arrangements with other members as will facilitate international payments and the maintenance of exchange stability. In particular, members shall withdraw restrictions maintained or imposed under this section as soon as they are satisfied that they will be able, in the absence of such restrictions, to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund.

Getting back to Bretton Woods and the men behind these agreements, I would not impugn the good faith of one of the nations represented. As to Great Britain, I stated yesterday, and I wish to repeat, when she accepts the agreements, as I think she will, she will do her part to carry them through in good faith.

The great value of Bretton Woods is that we have 44 nations, a great majority of the nations of the world, in solidarity behind the great purposes of the Bank and the Fund, and this is no time to be cynical as to Bretton Woods. It is time to get behind the agreements, and give encouragement to a sorely stricken world.

Mr. BARKLEY. Mr. President, I appreciate what the Senator from New Hampshire has said. In addition, the articles of agreement provide that the Fund, and the Board of Directors, or the Governors, at any time when they find that any nation is carrying on its exchange operations in a way to defeat the object of the Fund, may declare that nation ineligible for any further benefits under the Fund.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. TAFT. The Senator from New Hampshire has suggested that I questioned the good faith of Great Britain. I have not at any time questioned her good faith, and I have not questioned the good faith of Russia. My point is that the agreements permit them to do the things I have suggested. Let me read once more Lord Keynes' statement. He said:

> What, then, are these major advantages that I hope from the plan to the advantage of this country? First, it is clearly recognized and agreed that, during the postwar transitional period of uncertain duration, we are entitled to retain any of those wartime restrictions, and special arrangements with the sterling area and others which are helpful to us, without being open to the charge of acting contrary to any general engagements into which we have entered.

Without being charged with bad faith. I do not charge them with bad faith. I say these agreements have been written so that present restrictions can be maintained.

Mr. BARKLEY. It was done because the whole world recognized that these restrictions which were imposed as a war measure, and of necessity, in order to enable England to finance her part of the war, cannot be removed at once, and a certain time has to be given in order to work out the arrangements.

Mr. TOBEY. There must be a certain amount of flexibility.

Mr. BARKLEY. The Senator is absolutely correct.

Now I wish to conclude what I have to say without further interruption, if I may, in order that this sterling area and sterling bloc situation may be cleared up.

During the war, in an attempt to conserve their foreign exchange resources, the various countries of the sterling area have introduced exchange restrictions, purely as a war measure. These wartime exchange restrictions enable England and the sterling area countries to carry on the war with the greatest efficiency. During the war, the need for dollar and other free exchange has been far in excess of the supply. They have been buying things from us, and they needed more dollars than they could obtain. To assure the use of dollars and other free exchange only for the most essential war purposes, and not for any other essential war purposes, England and other countries have found it necessary to limit transactions in these currencies.

That is why, as a result of the condition which had existed for years prior to the war, countries involved in the war have been compelled to impose these restrictions, purely as a war measure. They are as anxious as any other country can possibly be to get out from under them. They have to do it gradually.

Now as to the blocked sterling balances, Britain has financed her wartime expenditures in some sterling area countries by purchasing with sterling local currencies she needed. She has purchased with sterling, for example, Indian rupees, Egyptian pounds, Australian pounds, Iraqui dinars, and so forth. The United Kingdom has used these funds for troop pay, for war supplies, and other expenditures. The central banks or currency boards of these countries own the balances and keep them on deposit in banks in London, or invest them in British treasury bills which yield less than 1 percent annually. Bank balances, under this arrangement, bear no interest whatever.

These balances have grown steadily, during the war, until they probably amount to about $16,000,000,000, or they will amount to that much by the end of the war. The largest holders of sterling balances are India, with balances reported to be well over a billion pounds, and Egypt, with balances reported to be in excess of 300,000,000 pounds.

These countries are not complaining because of these balances or these restrictions, but they know, as I think every informed man should know, that Britain will not be able to liquidate these balances either in goods or in foreign currencies for some time after the war. That is because British monetary reserves are adequate only for British postwar needs, and in the early postwar period Britain will not be able to use her exports to pay debts. She will need the foreign exchange to pay for her current imports. Nevertheless, the problem is not as difficult as it appears. There are a number of favorable factors that should be kept in mind in connection

with both the sterling area and the sterling bloc.

First, a considerable portion of these sterling balances represent more or less permanent currency reserves for countries of the sterling area. Balances of $2,000,000,000 in sterling after the war would not be excessive for this purpose.

Second, it may be possible for Britain to induce sterling area countries to write off a portion of these holdings as a part of their contribution to a common war. Much of the expenditure was for defense of these various areas, such as India and Egypt and other countries. Further, prices at which the expenditures were made were abnormally high, perhaps three times the prewar level, and it is hoped and expected that when the war ends, by arrangement made between England, India, Egypt, and other countries, they may write off a part of their sterling balances because Britain overpaid several times the prewar level prices in making these expenditures in order to conduct the war.

Finally, it must be kept in mind that Britain would have little interest in liquidating her sterling debt by means of a dollar loan. Britain does not want to burden her balance of payments by having to service a dollar loan. She feels that she can handle a sterling debt much easier than she could handle a dollar obligation, which is perfectly natural, because she is paying no interest whatever on many of these sterling balances, and she knows and we know that she could not obtain dollar balances without paying interest to service the dollar loans.

So, Mr. President, it seems to me that the Bretton Woods Conference was wise in providing flexibility. It may take 5 years, for instance, for Great Britain to get out from under these restrictions, these sterling-bloc arrangements which it was necessary for her to make in order to finance the war. She did that before we got into the war. She was doing that when she was in a desperate situation, when Hitler was knocking at the very doors of the English Channel, and England was the only country that stood between him and world conquest. These restrictions were then being made and these sterling blocs were then being formed in order that England might finance the expense of conducting her part of the war. They have been necessary since then.

For these reasons I do not think we ought to be unreasonable in allowing and agreeing that there must be flexibility in the arrangement that will enable Great Britain and her various dominions to get out from under these restrictions so that they may assume a normal international economy and trade relationship with all other countries of the world, including the United States.

As I said at the outset, the adoption of this amendment would mean that the President of the United States could not accept membership in the Fund until there had been another conference and the articles of agreement had been amended. Of course, that could not be brought about during the present calendar year. The Bretton Woods agreement would lapse. We would almost be compelled to start ab initio to write a new agreement. It might result in disaster to the economic relationship which we hope will exist when things get back to a more normal basis in world trade.

Mr. President, I hope the amendment will not be agreed to.

Mr. TUNNELL. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. TUNNELL. I should like to ask the Senator some questions with reference to the practical effect of the amendment. I have had no opportunity to read it, and one does not hear distinctly, or I do not hear distinctly when it is read from the desk. But would not the pratical effect of this amendment be to give notice to Great Britain that she should not become a member of the organization?

Mr. BARKLEY. Mr. President, the amendment reads as follows:

Provided, however, That this acceptance shall become effective only when the governments of the countries having 65 percent of the quota set forth in schedule (a) shall have agreed that the Articles of Agreement of the Fund shall be amended and that a new section be added to artlce—

The amendment says "article —." I think it is article XIV—

reading as following.

And this is the new section to article XIV which the Senator from Ohio wants to put into the articles of agreement before we accept membership——

Mr. TUNNELL. I suppose the whole matter would have to go back to the other 44 nations?

Mr. BARKLEY. Yes; that is true. This is what the Senator from Ohio wants to add to that article:

The provisions of this article shall be subject to the principle that the Fund shall use its resources only for current monetary stabilization operations and to afford temporary assistance to members in connection with seasonal and emergency fluctuations in balance of payments of any member for current transactions, and that the Fund shall not use its resources to provide facilities for relief, reconstruction.

Mr. TAFT. Mr. President, will the Senator yield to me for a moment?

Mr. BARKLEY. I yield.

Mr. TAFT. That is not the amendment under consideration.

Mr. BARKLEY. That is the one which was handed to me; but I now have the amendment. It has the virtue of being shorter than the one I started to read.

Mr. TUNNELL. There are probably others.

Mr. BARKLEY. I will read it:

Provided, however, That this acceptance shall become effective only when the governments of the countries having 65 percent of the quota set forth in schedule (a) shall have agreed that the Articles of Agreement to the Fund shall be amended to insert section 6 in article XIV, as follows—

So far they are the same. I continue reading:

SEC. 6. No member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency until it shall have removed all restrictions inconsistent with article VIII, sections 2, 3, and 4.

In other words, the effect of the amendment would be to say that until all countries, including England, have removed whatever restrictions are now in existence, which have been brought about as a war measure, they will be ineligible to participate in the fund or to draw any of the benefits from it, and that we cannot accept membership in the Fund until the Articles of Agreement have been amended as provided in the amendment. That means another conference.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. TAFT. The amendment provides that the acceptance shall become effective when countries having 65 percent of the quota have agreed to the amendment. Any nation that is not able to conform to the covenants it has entered into in article VIII by removing exchange restrictions, shall not be entitled to draw from the Fund. The way the Senator from Kentucky stated it was that all nations had to remove these restrictions before any could draw from the Fund. The provision is that no nation may draw until it removes its restrictions.

Mr. BARKLEY. I believe the Senator is quibbling over language. We both mean the same thing.

Mr. TUNNELL. In view of what the Senator from Kentucky has just said with reference to the situation of Great Britain, would not the adoption of the amendment be practically a notice to Great Britain that she could not become a member?

Mr. BARKLEY. Undoubtedly, because it is obvious that it is from every standpoint impossible for Great Britain to remove these restrictions at once. They could not be removed by the 31st of December. They could not be removed in all likelihood in the year 1946. They certainly cannot be removed while the war with Japan is still going on. Therefore it would be the same as serving notice on Great Britain that under the conditions which now exist between her and other nations she would not be entitled to enjoy the benefits of the Fund.

Mr. TUNNELL. If that were done, would not that be practically sounding the death knell of the whole proposition?

Mr. BARKLEY. Of course. It undoubtedly would sound its death knell, and in view of the attitude taken by the Senator from Ohio respecting the matter, I think the death knell is what he has his aim upon.

Mr. TUNNELL. No doubt it has been his attitude that he is opposed to the whole agreement.

Mr. BARKLEY. Yes.

Mr. TUNNELL. And the adoption of the amendment would accomplish the purpose of killing it without a direct vote.

Mr. BARKLEY. Oh, yes.

Mr. TUNNELL. Suppose that the organization should be formed without Great Britain and the other nations which are in the so-called sterling bloc. Would not that result, in practical effect, in two great organizations? That is, instead of stabilization, would it not result in a division of the world into two organizations, each of which would be attempting to stabilize its currency for its own members?

Mr. BARKLEY. It would result either in a division of the world into two large blocs, or it would result in the total collapse of any economic international ar-

rangement by which all nations might survive.

Mr. TUNNELL. This would affect not only Great Britain but all the nations which are interested in the sterling bloc, or have funds in that bloc.

Mr. BARKLEY. Undoubtedly; and any other nation which might have any restrictions at all brought about by the necessities of the war.

Mr. TUNNELL. So the amendment is in effect, is calculated to destroy and wipe out this agreement.

Mr. BARKLEY. Undoubtedly. I repeat my hope, Mr. President, that the amendment will be defeated.

Mr. WILEY. Mr. President, I had not expected to say anything in this debate. I am not a member of the Senate Committee on Banking and Currency, which considered Bretton Woods. Neither have I had time, except in the past few days, to give any detailed consideration to the measure. I have listened to all the speeches delivered on the floor of the Senate, and they provoke me to express these ideas:

First, there is a great divergence of opinion among bankers, economists, and farm organizations as to the value of the Bank and the Fund in the postwar period. Some opinions are as far apart as the poles.

Second, everyone agrees that the matter of administration of both the Fund and the Bank is the most important factor in the picture. Without good administration, both sides of the argument agree that the Bretton Woods idea would operate detrimentally to all concerned. I do not think any large degree of proof is required to demonstrate the correctness of that conclusion.

Third, there is a difference of opinion as to whether or not it would be advisable to postpone action until after President Truman returns from Europe. Yesterday that proposition was voted down.

Fourth, there is a difference of opinion as to the advisability of having the Bank without the Fund.

Fifth, there is a diversity of opinion as to whether it would be better to have one American organization—something on the order of the Export-Import Bank—backed solely by American resources and managed by Americans, to dish out the money.

Shakespeare once said something which has been quoted over and over again:

> Neither a borrower nor a lender be
> For loan oft loses both itself and friend,
> And borrowing dulls the edge of husbandry.

In Henry IV, Shakespeare also said:

> I can get no remedy against this consumption of the purse;
> Borrowing only lingers and lingers it out,
> But the disease is incurable.

Note the last clause, the disease is incurable.

We are living in a paradoxical time. A few years ago this Chamber rang with the voices of those who damned the international bankers, the individuals and banking corporations whose business it was to provide the economic life blood for intercourse, trade, commerce, and industry. They were severely condemned.

Now America becomes the great international banker. But while she provides the funds, she does not control them. Is that wise? When defaults occur, will Uncle Sam again be called "Uncle Shylock"? Let us think this thing through.

I believe that when we do business we should do business. When we engage in charity, we should forget business. We should decide now, if we are going into this international game of rejuvenating other lands, whether it be business or charity. We should also decide whether the role of a meddler—and we cannot help meddling if we are to supervise loans—is the role which we wish to undertake.

On the subject of what we are entering into, the situation in Europe, which is provoking so much controversy among men who want a free press, should cause us to pause in our deliberations here.

Mr. President, one of the most momentous meetings of our time is occurring at this moment at Potsdam, 10 miles west of Berlin, yet the reporting of this meeting is turning out to be possibly the most inadequate reporting of any major international gathering.

This is definitely not the fault of the able newspaper and radio correspondents who are assembled near the scene of the conference. The correspondents want to bring light to the peoples of the United Nations who hunger for that light, who crave the truth about the decisions being reached at Potsdam.

Rather, this inadequate reporting is the fault of the ridiculous censorship which has been clamped over all but the most trivial items about the conference.

Because of this censorship, correspondents are being forced to cool their heels outside the official compound. Within the compound, the entire group of delegates are locked up like indiscreet maidens who might talk too much. The correspondents cannot even get to the technical advisers of the State Department to discuss the proceedings with them.

Instead, the correspondents are being spoon-fed a dish of trivial mush—handouts about such things as how much wine, and how many alarm clocks and refrigerators have been flown to the conference. As a result, the correspondents are being forced to write many of their stories of the progress of the conference on the basis of sheer conjecture and rumor.

Mr. President, during the military operations in Europe the correspondents of the press and radio were entrusted with the highest military secrets affecting the lives of countless Allied fighting men and, indeed, the success of those operations. The correspondents established a magnificent record of faithfulness to that trust. Is this consorship now to be their reward? Is this censorship to be the shape of things to come?

Everyone can appreciate the need for reasonable privacy of the Big Three leaders. No one questions the need for protection from harm of those men and their highest aides. But we do question why, for example, it is necessary to lock up even the technical advisers beyond reach.

I have not the slightest doubt that if President Truman could have his way there would be no censorship at Potsdam. He has pledged to make no secret commitments. He has nothing to fear from the open truth. The blame for the censorship lies elsewhere. This censorship must not go unchallenged.

I, therefore, invite attention once again to Senate Concurrent Resolution 20, which I introduced on July 9 for the purpose of putting a stop to censorship like this.

I respectfully but firmly submit that Congress should take action on this resolution now. I fear that unless it does we are in for more, and not less, muzzling of the press abroad. The promises of the United Nations will come to be thought of as mere "lip service," and the heart, the spirit, and the faith of the world will once again be broken.

The Potsdam censorship is a ghastly example of dictatorial behavior. It cannot possibly be of help in inaugurating the new world era of freedom. Let the censorship there be lifted—now.

Mr. President, I wish to return to a subject which causes my memory to click. I am speaking now in relation to the Bretton Woods agreements. I expect to vote for the Bretton Woods program.

Mr. TOBEY. Mr. President, will the Senator yield?

Mr. WILEY. I yield.

Mr. TOBEY. The correct pronunciation is "Bretton"—with a short "e." Will the Senator please pronounce it correctly? It jangles my nerves to hear it called "Bray-ton" Woods.

Mr. WILEY. I thank the Senator, but I am not so sure that he is correct. It depends upon whether one is in Wisconsin, New Hampshire, on the high seas, or in Britain, Brittany, or elsewhere. I am sorry the Senator's nerves are so tender.

Mr. TOBEY. If the Senator were to call it "Bray-ton" Woods in New Hampshire, he might not come out alive.

Mr. WILEY. I do not care to enter into that discussion, because it only takes us away from the discussion of serious matters which we should consider.

It will be remembered that under the set-up of the Bank under the Bretton Woods proposals, the plan was to lend as much as $9,000,000,000 or $10,000,000,000. The way that is proposed to be done can best be set forth by an illustration given in the testimony.

If one of the public utilities of Athens should be destroyed, and it were desired to build another, Athens could make application to the Bank for $50,000,000, for example. The investigators of the Bank would decide whether or not it was a good loan. Then the Greek Government would guarantee the loan if it were approved. The Bank would also guarantee it. The paper or bonds of the Greek utility would then be sold to the American people, or to people anywhere in the world. But there is no other place in the world to sell them except in America. Of course, our people, seeing the guaranties, would buy the bonds. Would it not be a tragedy if some morning we should wake up to find that we were having an experience with that paper similar to that which we had in our own country a few years ago, when certain great financial houses sold their bonds, guaranteed by one of the great bond companies of this country, in every

hamlet and city of the country? Then those bonds went sour and the bonding houses and other financial houses which floated them went sour.

Mr. President, is it not strange that we are giving so much consideration to the creation of additional foreign trade? To me it is tragic, when we realize how many other nations, such as Britain and France, are in need of that trade. Let us not fool ourselves. The $15,000,000,000 of blocked currency is just as significant regarding what is going to take place in the postwar period—in spite of Bretton Woods and in spite of the San Francisco Charter—as anything else we can dream of.

Nations are fighting for their lives. The nations which have been bleeding to death are going to do the things that will sustain them economically. Fifteen billion dollars, so we have been told, is owed by Britain to the group of nations which constitute the sterling bloc. What has Britain done? She has done exactly what Germany and other nations did before the war. She has said, "With that $15,000,000,000 you can buy in Britain."

I do not blame her; but let us not close our eyes and think that we are preaching a Sunday-school lesson or anything of the kind to the people of Europe. They know what this is all about. The question is, Do we know what it is all about? That is why I am talking as I am today. I say to the Senate that we have had a lot of buncombe sold us here on the floor of the Senate about this foreign trade. We want to be friends with Britain; we want to be friends with France. They need that foreign trade. Yet we say that we must do this in order to get that trade.

Where is the best market in the world, Mr. President? Thank God, it is right here in the United States of America. The American people have been "buffaloed" with a lot of propaganda on the reciprocal trade agreements proposition. The people of America were not told that 65 percent of our imports are on the free list. Then we reduced the tariff another 25 percent on the balance. But we did not interfere with the South's cotton. The South is being paid 4 cents on every pound of cotton which it exports, and the South has an import quota on cotton. No, Mr. President, the whole idea there was to get some magical formula into operation, a formula which will not really be magic, let me point out.

So let us see. We know that our foreign trade has averaged only from 3 percent to 5 percent of our national income. Right now, instead of mixing up in international financial deals, in which we are liable to be holding the bag in the years to come, I feel that the better course would be to act the part of the good Samaritan. I think the senior Senator from Indiana [Mr. WILLIS] quoted Scripture yesterday and said that it is more blessed to give than to receive, but that we should do so wisely, and not under the guise of some financial deals for which we would be charged with being "Uncle Shylock."

Mr. President, I heard something said earlier today by the distinguished majority leader about interference by the Senate if it should add an amendment. Wait a minute; what has Britain decided to do? Does anyone know? Let me read to the Senate an Associated Press article coming right from Britain, published in the Christian Science Monitor, and dated at London, July 16:

LONDON, July 16.—A possibility that Britain would raise further objections to the Bretton Woods plan was suggested by articles in two of London's leading financial dailies today.

With the plan coming before the United States Senate, financial circles here awaited congressional arguments as a prelude—

Note this—

to eventual debate in Parliament.

The Financial Times said opinion in Britain as a whole had "probably hardened toward acceptance of the basic principles of the final act," but that utterances by Sir John Anderson, Chancellor of the Exchequer, suggested "we do not intend just to put our signature on the dotted line even if the American Senate passes on the legislation before it."

Mr. President, I do not like the argument which has been made in the Senate, by which we, who are the congressional makers of treaties and similar agreements, are to be told that we cannot and should not vote an amendment because that would upset some other nation's apple cart. The matter is bigger than that. We must consider a little self-interest. I am not sure that I shall vote for the amendment; as I have said, I have not been a member of the committee which has been considering this matter.

Mr. MURDOCK. Mr. President, will the Senator yield to me?

Mr. WILEY. I prefer not to yield at this time.

Mr. President, I wish to say that if we who are Members of the Senate are to be told by the executive branch of our Government that we must follow after the Executive line of thinking—the fallacy of which was demonstrated so clearly yesterday by the distinguished junior Senator from Oregon [Mr. MORSE] when he took the hide off the OPA—if we are to be told that we simply must follow in the Executive footsteps all the time, we might just as well adjourn sine die and let the Executive run the show; but if we do that, freedom will go out the window. We need to keep in operation the checks and balances of the Republic.

I have read part of an article coming from London, and I now read further from it:

"We in this country will consider it entirely upon its merits," said the Financial Times. "It must not be assumed that we are out to raise bargaining points,"—

But listen to this, Mr. President—

"but our position is a peculiar one. We have already suffered severely in the cause of others and still have to face up to the inexorable pressure of economic circumstances."

There you have it, Mr. President. Now I read further:

"The desire of the people of Great Britain is to follow an expansionist policy in world trade, but we must have room to turn around."

Mr. President, I am still quoting from the article from the London Financial News:

The Financial News, taking note of the possibility of American dollar loans, said Britain would have to "give a blank sterling check to other nations." He added:

"Under the Bretton Woods plan there is a risk that an unduly large amount of our limited exportable surplus of goods would be bought up with the aid of sterling placed at the disposal of the Fund."

Mr. President, this gives me an opportunity to speak on another subject which came up in the Senate in the course of this debate. The Senator from Ohio [Mr. TAFT] spoke of the great threat presented by Government propaganda. Tens of thousands of men and women are paid to engage in that work; some say that more than 20,000 employees of the Government engaged in it, engaged in "selling" the public just one side—the Government's side. It may be that there is a difference of opinion on a given subject among Government officials, but only one side of the matter is presented to the public. I agree that as soon as possible we should demobilize the whole crew of Government propagandists. If the people's money is to be spent for such a purpose, the Government should present both sides.

Mr. President, from what I have said, do not get the idea that I am entirely unsympathetic to the proposition which we are discussing. I realize that this Bretton Woods idea did not originate in Congress. It was born in the fertile minds of New Deal economists, and if I have any fear at all it will be that if we allow such economists to run this show—representing America—we will find that we will not only be "holding the bag," but that we will not have materially helped our European neighbors.

When Alexander Hamilton dealt with Thomas Jefferson in relation to the location of the seat of government—and he gave Jefferson the right to designate this site and got Jefferson's support of his proposition that the Federal Government would assume the obligations of the various States—he had faith in something in this country. His faith was not based upon foreign soil. He had faith in American industry and in its ability to produce and to save. All the obligations of the Federal Government and of the States were thereby made good.

What is the pertinency of these remarks? Just this: These foreign countries are in bad shape. Some of the nations of Europe are bleeding to death. They are in economic turmoil. The object of Bretton Woods is high and noble, namely, to lend assistance so that life will once again be worth while living in those stricken areas.

But I ask you, Mr. President, whether this shot-in-the-arm is going to do the job. Perhaps I should ask, "Will it even help?" If it will, then it will be worth the shot. But before we can be sure that it will help, we must know that these nations are entering upon the highway to help themselves as we did, as we have always done. And we must make sure, too, that in our dealing with them we are not depriving them of the very thing that will help nourish them back into economic and political health.

I refer to the matter of foreign trade. We have made a fetish of it. We propagandized the subject so that one would think that instead of 5 percent of our income being dependent upon foreign trade 95 percent of it is so dependent.

Now, do not get me wrong. I believe America should increase her foreign trade. But I know that the best, the healthiest, and the soundest markets in the world are here in America, and I am not in favor of:

(a) Chiseling away the foreign markets of some of the other nations which absolutely need those markets in order to live.

(b) Spending our substance, like the prodigal of old, in foreign lands.

I hope that what happened at San Francisco is an omen of what will take place in the world between nations. I hope that they not only desire to cooperate but will cooperate. I hope that all nations will do what we did on this continent, and unless they do there will be no stabilization of money or currency. I hope that all nations will stop using unfair practices, such as currency blocking, currency devaluation, and so forth, in their international dealings. Will they stop such practices? It will be up to them.

Mr. RADCLIFFE. Mr. President, will the Senator yield?

Mr. WILEY. I yield.

Mr. RADCLIFFE. A few minutes ago I understood the Senator to say that the purpose—I had the impression that he emphasized as the sole purpose of this proposal is to help other nations. Would not the Senator be willing to enlarge upon the scope of his statement? Does he not believe that it is highly desirable that we also receive some benefit from the pending plan, and that also we would undoubtedly obtain some advantage from the successful operation of the Bretton Woods program? It may be, as suggested, that our foreign trade is only 5 percent of our total income.

Mr. WILEY. No; it is not that much.

Mr. RADCLIFFE. Whatever the percentage may be—I do not have the figures before me——

Mr. WILEY. The greatest volume of our foreign trade at any time was only 5 percent, and that was when we had an income of——

Mr. RADCLIFFE. Oh, is not the issue greater than that? If we eliminate our foreign trade, which would result in our country getting into a condition of undoubted economic isolationism, does not the Senator foresee that there would be many grave disadvantages which would accrue to our country, that many valuable industries would be injured thereby, and that we would be affected adversely in many other respects?

Mr. WILEY. I do not disagree with that statement. I have always said that during this period many foreign countries need assistance and aid. But let us not chisel away from them the very thing which they need in order to sustain their life's blood and their well-being. Spending our substance like prodigals in foreign countries will not cure the situation. We built up Germany following the First World War. We lost billions of dollars. Shall we repeat the experiment?

Mr. RADCLIFFE. If the Senator will further yield to me, I should like to give one illustration.

Mr. WILEY. I do not question the statements of the Senator that if the Bretton Woods arrangement operates successfully, it will be beneficial to us as well as to the other countries.

Mr. RADCLIFFE. Of course, we should not enter into any kind of an agreement or other arrangement, public or private, unless we assume that it will probably result successfully. But every plan must be administered efficiently if we reckon at all upon success.

Allow me to give one illustration. We have made up our minds that we will maintain a merchant marine. We have tried to do so in the past at various times but each time we abandoned the effort. That was a dangerous program for us to follow out. At the present time, the various agreements existing throughout the world in regard to foreign shipping impose various kinds of restrictions on us in the operation of our merchant marine.

It is desirable that those restrictions be eliminated and until they are so disposed of our merchant marine cannot really operate successfully. In fact, it is doubtful whether it can operate at all in certain sections of the world until currency exchange and other present restrictions are removed. I will not trespass upon the Senator's courtesy by going into detail, but I am sure the Senator knows substantially what I have in mind, and I will not offer other explanation.

Mr. WILEY. I understand fully what the Senator has in mind. Of course, there again we are confronted with the same problem with which we are confronted in connection with the United Nations Charter. It is a wonderful instrument, and its purposes are noble. The real question is whether the contracting parties will live up to it with the will, desire, and continuance of purpose to carry through. We have had noble charters on previous occasions. We had the Kellogg-Briand Pact outlawing war. Approximately 50 nations signed it, but they did not live up to the nobility of its original purpose.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. WILEY. I yield for a question or a short comment.

Mr. AIKEN. The statement was made that our foreign commerce represents 5 percent of our income. I think the Senator will find that following the First World War our foreign commerce in 1921 represented about 12 percent of our income.

Mr. WILEY. I do not quite understand the Senator's statement. I have looked at the figures time and time again. I may tell the Senator very frankly that the hope is, according to the best economists we have in the Government—and I heard them testify—that in the postwar period we will have a maximum income of approximately $160,000,000,000. Those economists have told us that, if 5 percent of that income can be realized from foreign trade, it will be a wonderful thing. But I do not care to quibble over what the amount may be.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. WILEY. I yield.

Mr. TAFT. The maximum amount which our exports have ever reached in recent years was 7 percent of our income. The Senator is referring to exports and imports. When we deal with national income we must make comparisons with exports because exports and not imports are what go to make up our national income. I think it is perfectly clear that the total will be not more than 5 percent, no matter what kind of a policy we adopt.

Mr. WILEY. I thank the Senator.

Mr. AIKEN. Of course, the goods are resold, and that must be counted in the total figures.

Mr. TAFT. When we compare foreign trade with national income, we must realize that national income means payments, money payments, not goods. Consequently when we compare foreign trade with national income we must compare only the exports, and not the two together.

Mr. WILEY. Mr. President, let me make myself clear. I do not wish to be placed on the spot with the idea that I am not in favor of getting all legitimate foreign trade we can get. Of course we want that. But I am not one of those optimists who, when he has $95 in his pocket, will let someone get the $95 out of his pocket while he, himself, is looking for the other five.

There is an old saying that distant pastures always look the greenest. They are not, however. When we think of world conditions, we realize that what the world needs is economic, political, and spirtual health. The world does not need us to be chiseling in on what other countries need to sustain their economic health.

Mr. President, that is very evident, and the fear of Britain is very evident. The British are not going to be taken for a ride. They know what business is, through the experience of centuries. We have not yet learned. We have been taken for so many rides that I do not want us to be taken for any more.

After all, Mr. President, this money is not our money, it does not belong to any of us. I think some folks will show whether or not they are sincere, when the plan goes into operation, by their eagerness to buy the bonds of Greece, for example. This money belongs to the people. We have had our lend-lease, and we have had our other great charitable performances. I merely say that we have to get a few "Scotchmen" on our side who will think this thing through and trade as a Scotchman should.

The object of the Fund is to provide the nations who have weak currency with stable American dollars, the right to borrow them by depositing their unstable currency with the Fund, the idea being that a shot of American "dough" will do the job. I agree with those who say that this by itself, if the nations continue in their old ways, will not help any. It will just give them the American "dough" to spend.

On the other hand—and it seems to me this is what the American administrator must insist upon—if these nations, whose currency is completely shot as we had demonstrated to us the other day on the floor of the Senate, one of the Senators exhibited a roll of money which would choke an ox, representing the currencies of different nations, little pieces of paper representing billions of some-

thing in those countries. If those nations desire to be assisted, then the greatest assistance we can give is not this economic shot, though we can give that also, but a shot of constructive economic ideas. We have economists in this country who have not gone "hog wild" along the lines of Hitler's and Mussolini's advisers. Such men should be used. We have others, however, who have followed from A to Z all the synthetic thinking of the economists who advised Hitler and Mussolini.

The method of the Bank is to guarantee the bonds or the paper of the projects found to be sound, so that the bonds or the paper can be sold in the markets of the nations.

Before I conclude, I want to mention briefly another matter that was called to my attention by the remarks of Admiral HART, the Senator from Connecticut.

Some of us have for years continuously urged that Uncle Sam cease playing the role of a prodigal. Whether we realize it or not, the war has served to impoverish America in many ways. We have lost some of the finest of our blessed young men. We have spent over a quarter of a trillion dollars. We have drained the American earth of its minerals, and we have overworked our soil to yield the greatest possible amount of foods and textiles.

The so-called inexhaustibility of our wealth is so much hokum. Our so-called ability to feed, clothe, arm, transport the rest of the world is so much buncombe.

As Admiral Ernest J. King said last April in one of his rare speeches:

> Rich as we are, we do not have the human or physical resources to dissipate our parsimony, generation after generation, in this manner.

As Chairman Krug of the War Production Board said in March:

> There is a limit to everything and America is reaching that limit. I hope we can get this idea over to the other nations of the world, for we have scraped the bottom of the barrel in several respects.

We do not think about that. What we do here in the Senate, is argue little segments of the whole subject, and forget the perimeter.

Let us make this matter unmistakably clear. Without our mineral resources, for example, the United States would be reduced to an agricultural type economy, capable of supporting far less than the 138,000,000 people now living within our borders at a standard which is the envy of the world. The fact is that we owe our industrial and military power to our great mineral resources, the equal of which has not yet been developed in any other area of the globe.

But it is a fact that as of 1944 we had already exhausted the following percentages of our commercial reserves of these minerals: Over 95 percent of our mercury, over 80 percent of our lead, over 70 percent of our chromium, 70 percent of our tungsten, 70 percent of our zinc, 60 percent of our copper, almost 60 percent of our petroleum, over 30 percent of our iron ore.

At the annual rate of use of 1935–1939, our tungsten will be exhausted in 4 years; vanadium in 7 years; our lead in 12 years; petroleum 18 years; zinc 19 years, copper 34 years.

We had better think a little about husbanding our resources. I am not talking about paper greenbacks, or even about our gold. I am talking about those things without which this Nation cannot live in safety.

We must husband our natural resources. We must make unmistakably clear to the United Nations Social and Economic Council that the United States does not intend to continue and cannot continue to lavish its unreplaceable wares upon the peoples of the earth. Let us make clear to the Social and Economic Council that we do not intend to use disproportionate amounts of our own financial resources as well as mineral resources in relation to the financial and mineral resources expended by the other nations.

We need tight-fisted, practical Americans in high places—men with warm hearts and souls, but men who are conscientious trustees of the peoples' values. We must stock-pile essential materials for our future national defense.

We must not give away mineral resources necessary to American safety—resources bought with the blood and lives of our servicemen. Let our best expert mineralogists investigate the islands we have bought with our blood and see what mineral resources we have there. Also let those who deal for America "talk turkey" to the Dutch and others of our allies, and let us see what we can obtain in lands that we are reconquering for them to reimburse this Nation for the minerals we have spent in this Great War.

We must be watchful lest free trade "nuts" open the floodgates and eliminate production in those industries where we must retain our skills for purposes of national defense.

We must beware lest, as admonished by Saint Paul, we fail to look out for our own, and become unworthy, and an infidel to our own cause.

Like the prodigal, we must awake and get rid of our prodigality, and come to a realization of the need to travel back to the father's house—an America, sane, realistic, and brotherly.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Swanson, one of its reading clerks, announced that the House had passed without amendment the bill (S. 714) to amend the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," as amended.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two House on the amendment of the House to the bill (S. 592) for the relief of the estate of James Arthur Wilson, deceased.

The message further announced that the House insisted upon its amendment to the bill (S. 794) for the relief of Mr. and Mrs. John T. Webb, Sr., disagreed to by the Senate; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MCGEHEE, Mr. HOOK, and Mr. PITTENGER were appointed managers on the part of the House at the conference.

ENROLLED JOINT RESOLUTION SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled joint resolution (H. J. Res. 98) relating to the marketing of fire-cured and dark air-cured tobacco under the Agricultural Adjustment Act of 1938, as amended, and it was signed by the President pro tempore.

Mr. ROBERTSON. Mr. President, as a result of this debate on the Bretton Woods agreement, I feel sure that even the Senators across the aisle will agree with me that the outstanding figure, the one Senator who really understands this whole proposition, who apparently understands the mass of intricacies it contains, is the distinguished and able senior Senator from Ohio [Mr. TAFT]. For my part, I feel indebted to him for his untiring energy, for his clear reasoning, for the service he has rendered this week to his country and to the world. His approach has been nonpartisan. He has been just as quick and ready to agree with his opponents as he has been to disagree with them. I feel that in the years to come, when this measure will be on trial, that many of us, and many of those on the other side of the aisle, will turn to the CONGRESSIONAL RECORD of this week and read and ponder the wisdom of this man.

The country and the world should know that we who feel and are conscious of the inherent weakness of the Bretton Woods agreement, are equally anxious to do what we can to bring about, not only world peace but world economic and currency stabilization.

We differ with the proponents in our ideas as to how best to attain this objective and in the methods to be employed to put those ideas into effect.

We realize that it is the United States, which is not only the keystone of this arch, but the very foundation of whatever structure is erected to bring about world economic stabilization.

We also realize that it is an absolute necessity that the United States take control and through its stabilized currency, seek to bring about this world stabilization.

Never were truer words spoken than those used yesterday by the distinguished majority leader, the Senator from Kentucky [Mr. BARKLEY] and the distinguished chairman of the Banking and Currency Committee, the Senator from New York [Mr. WAGNER] to the effect that if the United States did not pass this Bretton Woods measure and thus become a member of the Bank or Fund, no other nation would do so.

There is the crux of this whole question. The United States is absolutely indispensable to the whole set-up. American stabilized currency, the United States dollar, is the very foundation of any plan for world economic stabilization.

Without the United States dollar the whole thing collapses. Without the United States dollar the whole thing is null and void. We are all agreed on that; no one on the other side of the aisle denies it.

Any plan for world stabilization without the United States is doomed to failure before it starts. We are all agreed on that, but we differ as to method.

This bill will be passed. The vote which took place yesterday clearly indicates this, and I know that nothing I say will alter the situation.

In the Bretton Woods bill, a Fund or Bank is set up and operated by the equivalent of a Board of Directors or a loan committee. But this Board of Directors or loan committee is different from any Board of Directors or loan committee in existence in any bank in the world today, in that it is composed of the borrowers themselves or their nominees. If there are 50 members, contributors, or stockholders in the Bretton Woods Bank or Fund, 49 of them are borrowers. I think there is some restriction that no borrower may pass on his own loan.

I was amazed when the distinguished Senator from New Hampshire [Mr. TOBEY] advised the Senate, during the earlier days of this debate, that most of the bankers throughout the country favored this proposal. How long would their banks last if their loan committees were composed of the borrowers, they having the final word on all loans?

We do not have to have very long memories to recall the many banks in this country that were in difficulties, a number of them as a result of unsecured loans to their own stockholders, or at least loans on their endorsement.

What strange minds are at work in the various departments of Government to think up the many extraordinary and fantastic ideas which come before the Congress or which are issued in many directives and orders? Where do these people come from? Are they the result of some special or peculiar college course? OPA is an example of a bureau from which is issued the most extraordinary orders and complicated instructions for carrying out those orders that it is possible to imagine. I have seen orders issued in the last 2 weeks by OPA which even the many able and distinguished lawyers in the Senate would be unable to follow. I ask, Where do these people come from?

I apply the same reasoning to the Bretton Woods proposal. We are confronted by a world situation which requires our help to straighten it out. We are the only nation in the world that can help to do it.

To my way of thinking, to be really efficient and helpful, we must not only put up the money, but we must also control it, and through that control carry out our idea of how to obtain world economic and currency stabilization to the world.

This is the fundamental difference between your viewpoint, your method, and that of the minority: Your bill, the Bretton Woods proposal, places the handling of the money and the making of the loans in the hands of a committee of the borrowing nations.

Remember that the United States is the only nation that will put money into the Fund or Bank under the Bretton Woods proposal and not borrow from the Fund or Bank. Furthermore, as I understand, the United States can be outvoted at any time by the borrowers in the disposition of the money in the Fund or Bank.

That is your proposal. That is your idea of how to obtain world economic and currency stabilization. As I have said, you have the votes to pass it, and if it becomes the law of the land, I hope and pray it will achieve its object.

But why take this risk? Why go into the realms of fantasy when we already have in this country a bank of our own that can do this very thing? I refer to the Export-Import Bank. The very Banking and Currency Committee of the Senate which reported the Bretton Woods bill to the Senate with recorded opposition has just unanimously agreed vastly to increase the capital of the Export-Import Bank to enable it to do the very things it is hoped may be done by the Bretton Woods proposal.

In my judgment the world would be better off, and would realize economic and currency stabilization quicker and more definitely through the Export-Import Bank under the able direction of Leo Crowley than it ever would under Bretton Woods. Why increase the number of banking institutions when we can do the job with what we have? Let us put our money into the Export-Import Bank. Let that bank make an impartial and unbiased review and survey of the whole world economic situation. Let that bank make the loans based on its review and survey. I think there is no doubt that investment in the Export-Import Bank is a sounder financial proposition for the United States than Bretton Woods. Also I firmly believe that control by the United States of whatever fund or bank is to be used is a necessity, both in the interest of the United States and of all participating nations, and most definitely in the interest of world harmony and peace.

Mr. AIKEN. Mr. President, I have been very much interested in the remarks of the Senator from Wyoming, and particularly in his criticism of the world Bank because its affairs would be controlled by the borrowers. It recalls to my mind a domestic situation which occurred in this country 10 years ago, when we were in the midst of the greatest depression the world ever knew, and our agricultural interests all over the country were very desperate; in fact, our farmers were in almost the same condition in which many of the small nations of the world find themselves today.

At that time Congress authorized the establishment of various agencies to lend to the farmers. Among those agencies was the Production Credit Corporation. I well recall how at that time production credit associations were organized all over the country. I was one of the incorporators of such an association in my own district. We simply had to do it in order to save agriculture. We could not get credit anywhere else, any more than the small nations, which today have not the proper financial standing, can obtain credit.

We organized production-credit associations, which have now completed 10 or 11 years of their existence. I think there is today no form of banking in the country with a record of such low losses as that of the production-credit associations. My own association has loaned several million dollars with no losses whatsoever.

The point I wish to make is this: Every incorporator of a production-credit association is a borrower, and every director of a production-credit association, which makes loans amounting to hundreds of millions of dollars a year, is also a borrower. He is required to be a borrower. And yet, so far as I know, no other method of banking shows such a small percentage of loss on its loans as do these associations, which are a sort of bank, and which are operated wholly by the borrowers. I hope that the International Bank will be as successful in being operated by the borrowers as the production-credit associations have been.

ADMINISTRATION OF SURPLUS PROPERTY DISPOSAL ACT

Mr. STEWART. Mr. President, I wish to devote just a moment to refer to a message from the President, sent here on Tuesday, I believe, recommending a one-man board, or control by one man, of the Surplus Property Board, instead of the three-man board which we now have under existing law. Last week I introduced a bill in the form of an amendment to the Surplus Property Act, and at that time I stated that although in the bill I introduced a year ago I had advocated the appointment of one man to control the Board or to serve as Administrator of the Board, I would not press for that to be done at this particular time in view of the fact that we spent so many weeks last summer in fighting out that and other questions. But I am happy that the President has sent this message to the Congress; and, so far as I am concerned, I am quite willing to modify the bill I have introduced so as to provide in it that one man shall be appointed to serve as Administrator over the Surplus Property Board.

I merely wish to add that I think the most important thing the bill I have introduced contains is a provision for placing the surplus-property problem in its entirety under the control of the Surplus Property Board or under the control of a Surplus Property Administrator, if the Congress sees fit to pass such a law as an amendment to the Surplus Property Act. I think that is even more important than any other thing we can do now in connection with that problem. In light of the confusion and uncertainty which exist regarding surplus property, it seems to me that the sooner we provide for having control placed under one authority and the sooner we provide that the right to dispose of surplus property shall be taken away from every other Government agency the sooner we shall render a real service to the country. I do not make the accusation that any surplus property is being improperly disposed of; but, as I have said before, with the situation as it is, with no particular body which can exercise central control and no individual who can exercise central or complete control, with no inventories obtainable, and with no information about the situation, except merely a smattering, there is great opportunity for the doing of things which should not be done. I am afraid a great deal of damage has already been done, because I know a great deal of property has already

been declared to be surplus. I know that, as the war has progressed and as conditions have changed up to this date, a great deal of property has been or should have been declared to be surplus. I say I know that; I think it is so, and on the best information I have been able to obtain, I believe it to be true. However, we seem to have only a meager amount of information about what has become of that property. The statement was made that this matter might become a second Teapot Dome and might embarrass the present administration most seriously. I think that could happen. I think there is a responsibility and duty on the Congress to enact such legislation as will prevent improper disposition of surplus property and obviate the occurrence of anything which would become a scandal. That duty rests upon us today, and we should take such steps at once.

So, Mr. President, I hope the President's recommendation with respect to one-man control will be adopted; and, as a matter of fact, I hope the bill I introduced the other day will be passed, so that the Surplus Property Act will be amended as my bill provides. As I have said, it represents the views which were covered by the bill we introduced last year. The Senator from Ohio [Mr. TAFT] joined with me in introducing that bill, and so did the Senator from Montana [Mr. MURRAY]. Many of the provisions contained in the bill I recently introduced, providing for amendment of the Surplus Property Act, were contained in the bill which we introduced last year, and at that time we insisted on its passage.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. STEWART. I yield.

Mr. TAFT. Am I not correct in saying that the bill we introduced provided for a single administrator?

Mr. STEWART. It did, indeed; that is correct.

Mr. TAFT. Also the bill provided for conferring the additional powers which now are found to be necessary.

Mr. STEWART. As I remember—and I speak from memory—I think the bill, in the nature of an amendment to the Surplus Property Act which I submitted last week, contains a great many of the provisions which were included in the bill, the passage of which we urged a year ago, after the Senator from Ohio and I and other Senators had worked for many weeks on it.

Mr. TAFT. The bill which was passed was so substantially amended by the Committee on Military Affairs, as I recall, that its authors did not recognize their own child.

Mr. STEWART. I think the greatest amount of the damage was done in conference; the conferees almost rewrote the bill. Nevertheless, it was entirely different when it finally was passed by both Houses of Congress, last summer, from what our original ideas were.

I merely wish to add that I think the passage of the bill I have introduced providing for an amendment of the Surplus Property Act so as to place a single administrator in control should be given early attention. I hope the bill can be considered and passed before the Congress adjourns for the summer, because if we take a 60-day recess, I do not know how much more surplus property will take flight, by night or otherwise, and will continue to afford an opportunity for damage to be done.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. STEWART. I yield.

Mr. WHERRY. I wish to endorse what the distinguished junior Senator from Tennessee has said relative to the operations in connection with the disposal of surplus property and to suggest to him, as a partner working on the Senate committee, that not only do I support the enactment of such legislation by the Congress but I am ready to vote for what he now suggests.

Mr. STEWART. Mr. President, I appreciate the statement of the Senator from Nebraska. His work last year and his work this year on the surplus-property problem and on the Subcommittee on Small Business, which, as a special committee, has assumed jurisdiction over proposed legislation for small businessmen, has been invaluable. It was through his efforts, as I stated on the floor of the Senate the other day, that public announcement was made of the loss of many thousand cans of canned milk which should have been declared surplus property if the situation had been properly handled and if knowledge of it had been possessed by one central authority. In that event, the canned milk probably would have been declared surplus and would have been disposed of in such a way that it would not have been lost entirely to the Government and to civilians throughout the entire world at a time when the shortage of food is so serious a problem.

Mr. President, let me say that I hope the bill I have introduced can be passed before a recess is taken by the Congress.

THE BRETTON WOODS AGREEMENTS—INTERNATIONAL MONETARY FUND AND INTERNATIONAL BANK

The Senate resumed the consideration of the bill (H. R. 3314) to provide for the participation of the United States in the International Monetary Fund and the International Bank for Reconstruction and Development.

Mr. BUSHFIELD. Mr. President, a few minutes ago the distinguished Senator from Vermont [Mr. AIKEN] spoke of the production-credit associations and the fine work they have been doing among the farmers in this country. I have not heard any Member of this body, even during the debate on the Bretton Woods agreements, suggest that the loans to be made under the Bretton Woods agreements will ever be repaid. I do not know whether it is expected that they will be repaid, but it is very clear in my mind that following the last World War we loaned $11,000,000,000 to foreign nations, and very little of it has ever been repaid. In addition, about $14,000,000,000 worth of foreign bonds were peddled among the people of this country by a few international bankers, and very few of those bonds have been repaid. As a matter of fact, a definite fraud was perpetrated upon the people of this country at that time, and it took in all classes of our people. Now, under the Bretton Woods agreements, we are proposing to loan or give away—whichever it may be called—more billions of dollars, and I am wondering what the distinction is between the fraud which was perpetrated 25 years ago and the present proposal. That question has been in my mind for several days, and I cannot arrive at an answer to it. Apparently the billions of dollars we are going to throw into this thing—and I am not "kidding" myself about the result of the vote on it—will be given away, without hope of having them returned to the people of this country.

Mr. WHERRY. Mr. President, supplementary to the remarks made by the distinguished junior Senator from Wyoming [Mr. ROBERTSON] relative to the lending agency known as the Export-Import Bank, I should like to say that in the debate we have had on the floor of the Senate for the past several days we have discussed an international lending-spending policy. Very soon we shall be called upon to pass upon another section of that policy which has been presented to us in the form of a bill to expand lending power of the Export-Import Bank to $3,500,000,000.

As I have already said on the floor of the Senate, I expect to support the proposed increase. I think we should make those loans to foreign countries under the control of an agency which has already been established. However, I wish to say that we may be certain that other lending proposals will be presented in due time. These spending-lending schemes always come to us by piecemeal, because it is my opinion that the American public would not stand for one huge spending-lending program if it were offered at one time.

Mr. President, during the course of the debate which has been taking place it has been represented that the United States did nothing for the world during the period between World War I and the present World War. It was represented that if we had helped more in a material way, and had given greater economic cooperation, we might have helped to avert the present war. I am thinking particularly of the very forceful argument which was made yesterday by the distinguished junior Senator from Arkansas [Mr. FULBRIGHT], who, to my regret, is not in the Chamber at the present time. On page 7672 of the CONGRESSIONAL RECORD will be found his remarks, from which I quote in part:

> To those who still believe that withdrawal from the world is the proper course to pursue, it seems to me it should be sufficient to recall the past 25 years. In 1919, as a Nation we followed their advice. We persisted with our high tariff, our refusal to join the World Court, and to pass the Neutrality Act. It seems to me that since we followed their policies to the bitter end and have thoroughly suffered their disastrous effects, they should be willing, at least, to acknowledge the possibility of their errors.

It has always been represented by proponents of the Bretton Woods program that we should help foreign nations help themselves, because in so do-

ing we thereby insure a lasting peace. That argument is made with the greatest of force, and it is urged frequently in behalf of the adoption by the Senate of the Bretton Woods program.

I was very much interested in the statement of the junior Senator from Arkansas relative to the fact that we had done nothing from 1919 to 1939 to aid foreign nations. I am considering now the period between the two great World Wars so that there may be no confusion about what we did during that time. It has been contended that the United States did not do its part in its relationship with other nations of the world in affording them the articles which they needed, and in engaging in international trade with them. What do the figures show, Mr. President? From 1919 to 1939 Americans sold goods and services to foreigners in the total amount of $91,296,000,000. That figure represents a great volume of business. It represents a great volume of services and a huge quantity of goods. Those transactions took place during the period with reference to which it has been said that America did not do anything to help establish the economic relationships of the nations of the world, and thereby contributed to bringing on the Second World War.

Mr. President, what about those doing business with us? Foreigners sold goods and services to Americans from 1919 to 1939 in the amount of $79,261,000,000.

The excess of goods and services furnished to foreigners by Americans during the period from 1919 to 1939, exclusive of the First World War debts, amounted to $12,035,000,000.

Some will say, "Yes, but the goods were all paid for." I agree that they were paid for in some form of a token payment. However, most of the goods were paid for in bonds which later defaulted, which have not yet been paid, and will not be paid to the people of this country.

So, in addition to the foreign trade which we carried on with other nations of the world during the period with reference to which it has been said that we did not do our part in conducting the business of the world, we gave to foreign nations in the way of excess goods and services $12,035,000,000.

I do not wish to bring the subject of the wars into this argument, but if Senators wish to add to the amount which I have stated the defaulted bonds of foreign nations, another $12,000,000,000 could be added which would bring the total up to approximately $25,000,000,000.

Mr. President, such vast outpouring of resources and labor was a part of our international contribution to the world during the period in which we hoped to substitute dollars for bullets. Later on we lost our dollars, and did not escape the bullets in the Second World War. We also poured out nearly $13,000,000,000 which is unaccounted for. The outpouring of our wealth did not make for peace. It was followed by World War II. A crop of dictators sprang up, played world politics, and we were called Uncle Shylock.

Mr. President, if we may judge by the vote taken yesterday, I predict that we will again pour out untold billions of dollars in our resources and our labor. I think that is the situation which is ahead of us in this new era of dollar diplomacy.

Mr. President, I have before me a table showing the balance of goods and services between the United States and foreign countries during the period 1919 to 1939, which I invite all Senators to examine before they decide to vote to continue the spending-lending spree which we have already established. I ask unanimous consent that the table be printed in the RECORD at this point as a part of my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

The balance of goods and services between the United States and foreign countries, 1919–39

[In millions of dollars]

Year	Credits—What Americans sold to foreigners in goods and services						Debits—What Americans received from foreigners in goods and services					
	Merchandise	Merchandise adjustments	Miscellaneous services	Freight and shipping	Tourist expenditures	Total	Merchandise	Merchandise adjustments	Miscellaneous services	Freight and shipping	Tourist expenditures	Total
1919	7,920	------	170	510	(1)	8,600	3,904	------	------	437	(1)	4,341
1920	8,228	------	26	203	(1)	8,457	5,278	------	------	110	(1)	5,388
1921	4,485	------	------	90	(1)	4,575	2,509	------	11	57	(1)	2,577
1922	3,832	------	58	71	60	4,021	3,113	------	------	64	360	3,537
1923	4,167	------	71	65	100	4,403	3,792	------	------	73	500	4,365
1924	4,591	------	96	76	100	4,863	3,610	------	------	68	600	4,278
1925	4,910	------	94	75	100	5,179	4,227	------	------	83	660	4,970
1926	4,809	------	------	127	142	5,078	4,431	------	18	188	640	5,277
1927	4,865	------	------	140	153	5,158	4,184	------	21	206	681	5,092
1928	5,128	------	------	147	163	5,438	4,091	------	88	227	715	5,121
1929	5,241	------	------	206	183	5,630	4,400	------	105	272	821	5,598
1930	3,843	------	------	155	160	4,158	3,061	------	16	251	762	4,090
1931	2,424	------	7	117	112	2,660	2,090	------	------	189	568	2,847
1932	1,612	------	3	73	71	1,759	1,323	------	------	118	446	1,887
1933	1,675	85	105	49	71	1,985	1,450	162	20	65	292	1,989
1934	2,133	88	103	61	94	2,479	1,655	85	38	96	314	2,188
1935	2,283	105	129	63	117	2,697	2,047	86	52	99	409	2,693
1936	2,456	66	191	68	139	2,920	2,423	41	68	129	497	3,158
1937	3,349	79	230	107	160	3,925	3,084	42	61	210	563	3,960
1938	3,094	61	189	118	166	3,628	1,960	43	67	164	532	2,766
1939 [2]	3,177	64	147	125	170	3,683	2,318	44	59	249	469	3,139
21-year total	84,222	548	1,619	2,646	2,261	91,296	64,950	503	624	3,355	9,829	79,261

[1] Not reported.
[2] Unrevised.

The United States sold goods and services to foreigners from 1919–39 totaling $91,296,000,000
Foreigners sold goods and services to United States 1919–39 totaling 79,261,000,000

Excess of goods and services sold by Americans to foreigners, 1919–39 12,035,000,000

Source: Selected from Balance of Payments of the United States. Annual tables 1919 to 1939, Department of Commerce. Excludes war debts and other purely financial transactions.

Mr. TAFT. Mr. President, roughly speaking, the difference to which the Senator refers, namely, approximately $12,000,000,000, represents largely, I believe, the money which was advanced to European nations following the First World War of approximately $6,000,000,000, plus another $1,000,000,000 which we loaned during the 1920's. Some of that money, of course, has been repaid. A large portion of it has not been repaid.

I have before me a tabulation entitled "America's Experience With Foreign Lending and With Defaults on Loans Made to Foreign Countries," which gives all the data concerning the subject which seems to be available, although it is not in any sense complete. I ask unanimous consent that it be printed in the RECORD immediately following the table which has been put into the RECORD by the distinguished Senator from Nebraska [Mr. WHERRY].

There being no objection, the tabulation was ordered to be printed in the RECORD, as follows:

AMERICA'S EXPERIENCE WITH FOREIGN LENDING AND WITH DEFAULTS ON LOANS MADE TO FOREIGN COUNTRIES

TABLE I. WHAT FOREIGN COUNTRIES CAN DRAW FROM THE BRETTON WOODS POOL OF CREDIT

This table gives the quotas of foreign nations to the Bretton Woods International Fund and Bank. It shows what the total pool of credit will be and the United States contribution. The size of the quotas in the Fund also shows what each country may borrow because each country may buy (borrow) the currency of another country up to 200 percent of its quota.

In other words, this table shows the pool or line of credit which will be available to foreign borrowers. The aggregate total of the pool is $17,900,000,000 ($8,800,000,000 in the Fund and $9,100,000,000 in the Bank).

(Source: United Nations Monetary and Financial Conference, Final Act and Related Documents, State Department publication No. 2187, conference series 55, Washington, D. C., 1944.)

TABLE I

	Bretton Woods quotas	
	Fund	Bank
Australia	$200,000,000	$200,000,000
Belgium	225,000,000	225,000,000
Bolivia	10,000,000	7,000,000
Brazil	150,000,000	105,000,000
Canada	300,000,000	325,000,000
Chile	50,000,000	35,000,000
China	550,000,000	600,000,000
Colombia	50,000,000	35,000,000
Costa Rica	5,000,000	2,000,000
Cuba	50,000,000	35,000,000
Czechoslovakia	125,000,000	125,000,000
Denmark	(1)	(1)

[1] Shall be determined after Danish Government is ready to sign agreement.

TABLE I—Continued

	Bretton Woods quotas	
	Fund	Bank
Dominican Republic	$5,000,000	$2,000,000
Ecuador	5,000,000	3,200,000
Egypt	45,000,000	40,000,000
El Salvador	2,500,000	1,000,000
Ethiopia	6,000,000	3,000,000
France	450,000,000	450,000,000
Greece	40,000,000	25,000,000
Guatemala	5,000,000	2,000,000
Haiti	5,000,000	2,000,000
Honduras	2,500,000	1,000,000
Iceland	1,000,000	1,000,000
India	400,000,000	400,000,000
Iran	25,000,000	24,000,000
Iraq	8,000,000	6,000,000
Liberia	500,000	500,000
Luxemburg	10,000,000	10,000,000
Mexico	90,000,000	65,000,000
Netherlands	275,000,000	275,000,000
New Zealand	50,000,000	50,000,000
Nicaragua	2,000,000	800,000
Norway	50,000,000	50,000,000
Panama	500,000	200,000
Paraguay	2,000,000	800,000
Peru	25,000,000	17,500,000
Philippine Commonwealth	15,000,000	15,000,000
Poland	125,000,000	125,000,000
Union of South Africa	100,000,000	100,000,000
Union of Soviet Socialist Republics	1,200,000,000	1,200,000,000
United Kingdom	1,300,000,000	1,300,000,000
Uruguay	15,000,000	10,500,000
Venezuela	15,000,000	10,500,000
Yugoslavia	60,000,000	40,000,000
Total	6,050,000,000	5,925,000,000
United States	2,750,000,000	3,175,000,000
Grand total	8,800,000,000	9,100,000,000

TABLE II. UNPAID DEBTS OF WORLD WAR I OWING TO THE UNITED STATES

Of the countries entitled to use the Bretton Woods pool of credits, the countries shown in this table, on January 1, 1945, owed the United States $12,425,993,107.27 as a result of loans made by the United States to the Allied Governments before and after the armistice which ended World War I. Almost everyone today agrees that this is money out the window and down the hatch.

These were loans made in connection with the prosecution of the war and also covering the sale of surplus war and relief supplies by the United States to various European nations.

These debts include amounts of unpaid principal, and interest postponed, accrued, and payable under funding and moratorium agreements. The total figure does not represent the full total loss, the original loans have been scaled down, terms have been readjusted, other revisions have been made.

(Source: Memorandum covering the world indebtedness of foreign governments to the United States (1917–21) showing the total amounts paid by Germany under the Dawes and Young plans, Treasury Department, fiscal service, Bureau of Accounts, revised January 1, 1945, "Statement showing indebtedness of foreign governments to the United States, January 1, 1945.")

TABLE II.—*War debts owed to the United States by Bretton Woods countries, Jan. 1, 1945*

Australia	
Belgium	$499,421,077.60
Bolivia	
Brazil	
Canada	
Chile	
China	
Colombia	
Costa Rica	
Cuba	
Czechoslovakia	172,778,593.22
Denmark	
Dominican Republic	
Ecuador	
Egypt	
El Salvador	
Ethiopia	
France	$4,568,112,799.40
Greece	36,655,615.10
Guatemala	
Haiti	
Honduras	
Iceland	
India	
Iran	
Iraq	
Liberia	
Luxembourg	
Mexico	
Netherlands	
New Zealand	
Nicaragua	
Norway	
Panama	
Paraguay	
Peru	
Philippine Commonwealth	
Poland	302,915,014.20
Union of South Africa	
U. S. S. R.	443,152,568.69
United Kingdom	6,339,714,782.58
Uruguay	
Venezuela	
Yugoslavia	63,242,656.28
Total	12,425,993,107.27

TABLE II-A

The data of table II is here continued for the non-Bretton Woods countries.

Foreign government indebtedness to U. S. Government (World War I debts), Jan. 1, 1945

Argentina	
Bulgaria	
Danzig	
Estonia	$24,205,435.81
Finland	8,842,109.88
Germany	26,024,539.88
Hungary	2,707,752.98
Ireland	
Italy	2,049,722,534.34
Latvia	9,995,371.04
Lithuania	8,956,353.95
Rumania	74,018,719.94
Armenia	25,891,371.09
Japan	
Total	2,231,364,191.62

TABLE III. GENERAL CREDIT STANDING OF FOREIGN GOVERNMENTS IN THE MATTER OF FOREIGN-DOLLAR BONDS

This table is a partial index to what may be called the general credit worthiness of foreign governments in the matter of foreign-dollar bonds at the end of 1940.

On December 31, 1940, the countries participating in the Bretton Woods plans had foreign-dollar bonds outstanding amounting to $4,052,106,249.

Of these bonds outstanding, $1,555,091,429 were in default as to interest and/or sinking fund. Funding bonds are included in this figure. In other words, at the end of 1940, foreign borrowers participating in the Bretton Woods plans had failed to meet their obligations on over 38 percent of the outstanding dollar bonds issued or guaranteed by their governments.

These figures include bonds, issued or guaranteed by foreign governments or subdivisions thereof, which have been publicly offered and in respect of which default exists or is threatened. They are loans floated by national, state, provincial, departmental, municipal, or corporate entities.

All outstanding dollar bonds are included; no separation is made of the American-owned portion of these dollar bonds.

(Source: Foreign Bondholders Protective Council, Inc., annual report, 1940, p. 71.)

TABLE III.—*Outstanding foreign dollar bonds (publicly and nonpublicly offered), issued or guaranteed by governments or political subdivisions thereof—principal amounts outstanding as of Dec. 31, 1940* [1]

	Outstanding	In default
Australia	$243,589,000	
Belgium	34,833,200	$9,544,000
Bolivia	60,852,927	60,852,927
Brazil	352,498,145	352,498,145
Canada	1,922,208,265	88,586,312
Chile	170,208,500	170,208,500
China	11,427,512	11,427,512
Colombia	137,955,774	135,001,321
Costa Rica	8,077,188	8,077,188
Cuba	101,982,900	32,245,100
Czechoslovakia	4,286,800	4,286,800
Denmark	125,488,000	
Dominican Republic	14,853,000	3,348,000
Ecuador	12,262,700	12,262,700
Egypt		
El Salvador	12,081,525	12,081,525
Ethiopia		
France	13,099,600	
Greece	36,044,500	36,044,500
Guatemala	2,710,100	1,344,100
Haiti	7,948,051	7,948,051
Honduras		
Iceland		
India		
Iran		
Iraq		
Liberia	1,429,000	
Luxembourg		
Mexico	303,832,453	303,832,453
Netherlands		
New Zealand		
Nicaragua		
Norway	107,729,000	
Panama	17,604,552	14,172,052
Paraguay		
Peru	85,656,500	85,656,500
Philippine Commonwealth		
Poland	77,661,543	77,661,543
Union of South Africa		
Union of Soviet Socialist Republics	75,000,000	75,000,000
United Kingdom		
Uruguay	54,673,324	2,709,500
Venezuela		
Yugoslavia	56,112,190	50,302,700
Total	4,052,106,249	1,555,091,429

[1] Bretton Woods countries only.

TABLE III-A

The data of table III is here continued for the non-Bretton Woods countries.

Outstanding foreign dollar bonds (publicly and nonpublicly offered) issued or guaranteed by governments or political subdivisions thereof principal amounts outstanding as of Dec. 31, 1940

	Outstanding	In default
Argentina	$228,030,165	$13,861,790
Bulgaria	16,634,500	16,634,500
Danzig	4,367,885	4,367,885
Estonia	3,271,500	
Finland	13,893,000	
Germany	511,797,553	490,320,400
Hungary	17,085,600	11,197,100
Ireland	816,500	
Italy	102,149,400	102,149,400
Latvia		
Lithuania	4,700,694	4,700,694
Rumania	88,394,350	88,394,350
Armenia		
Japan	296,854,000	
Total	1,288,595,147	731,626,119

TABLE IV. A 38-YEAR RECORD OF AMERICAN FOREIGN DOLLAR LOANS

This table shows the status of foreign securities issued and taken in the United States during the 38-year period 1897–1935. It includes not only publicly issued bonds and shares but also those privately taken—insofar as the latter could be identified.

The table excludes all American corporate securities and all issues of foreign corporations in which there is a minority American

interest of the direct-investment type. It excludes World War I debts.

Bonds floated and taken in the United States during the period totaled	$5,036,737,000
Total outstanding on Dec. 31, 1935	4,205,616,000
Total amount of bonds in default as to interest	1,251,766,000

This is only the condition as of December 1935. It takes no account of previous or cumulative losses by periodic adjustments of principal or by previous defaults on interest.

(Source: Lewis, Cleona, America's Stake in International Investments, Brookings Institution, Washington, D. C., 1938, p. 659.)

TABLE IV.—*Status of American portion of foreign dollar loans (public and private issue, Government and corporate) Dec. 31, 1935*[1]

	Total taken in (1897-1935)	Bonds outstanding Dec. 31, 1935	Bonds in default as to interest
Australia	$271,200,000	$252,704,000	
Belgium	188,000,000	151,515,000	
Bolivia	63,445,000	54,524,000	$54,524,000
Brazil	379,050,000	309,151,000	288,102,000
Canada	[2]2,040,765,000	[2]1,822,763,000	[2]78,334,000
Chile	256,378,000	228,068,000	228,068,000
China	1,771,000	1,771,000	1,771,000
Colombia	177,318,000	144,220,000	144,220,000
Costa Rica	9,800,000	8,781,000	7,198,000
Cuba	175,508,000	115,218,000	72,497,000
Czechoslovakia	37,750,000	29,042,000	3,284,000
Denmark	155,521,000	134,380,000	995,000
Dominican Republic	19,000,000	15,464,000	
Ecuador			
Egypt			
El Salvador	7,000,000	4,492,000	4,492,000
Ethiopia			
France	246,610,000	148,423,000	
Greece	26,000,000	24,636,000	24,636,000
Guatemala	550,000	435,000	435,000
Haiti	20,273,000	9,809,000	
Honduras			
Iceland			
India			
Iran			
Iraq			
Liberia	2,192,000	2,192,000	
Luxembourg	8,000,000	6,007,000	
Mexico	116,900,000	116,900,000	116,900,000
Netherlands	44,149,000	43,310,000	
New Zealand			
Nicaragua			
Norway	175,655,000	150,435,000	
Panama	18,800,000	16,895,000	12,217,000
Paraguay			
Peru	80,142,000	74,143,000	74,143,000
Philippine Commonwealth	88,268,000	86,262,000	2,500,000
Poland	139,255,000	96,559,000	
Union of South Africa			
Union of Soviet Socialist Republics	29,000,000	29,000,000	29,000,000
United Kingdom	143,000,000	20,067,000	
Uruguay	54,937,000	51,039,000	51,039,000
Venezuela	10,000,000	10,000,000	10,000,000
Yugoslavia	50,500,000	47,411,000	47,411,000
Total	5,036,737,000	4,205,616,000	1,251,766,000

[1] Bretton Woods countries only.
[2] Includes Newfoundland.

TABLE IV–A

The data of table IV is here continued for the non-Bretton Woods countries.

Status of American portion of foreign dollar loans (public and private issue, Government and corporate) Dec. 31, 1935

	Total taken in (1897-1935)	Bonds outstanding Dec. 31, 1935	Bonds in default as to interest
Argentina	$388,844,000	$325,589,000	$74,815,000
Bulgaria	13,500,000	12,916,000	12,916,000
Danzig	3,000,000	2,590,000	
Estonia	4,000,000	3,592,000	
Finland	42,000,000	32,106,000	
Germany	1,121,725,000	755,351,000	752,381,000
Hungary	65,100,000	48,294,000	48,294,000
Ireland	15,000,000	1,805,000	

Status of American portion of foreign dollar loans (public and private issue, Government and corporate) Dec. 31, 1935—Con.

	Total taken in (1897-1935)	Bonds outstanding Dec. 31, 1935	Bonds in default as to interest
Italy	$341,483,000	$239,343,000	$3,781,000
Latvia			
Lithuania	1,846,000	1,846,000	
Rumania	10,000,000	9,115,000	9,115,000
Armenia			
Japan	416,879,000	323,717,000	
Total	2,423,377,000	1,756,264,000	901,302,000

TABLE V. MOST RECENT EXAMINATION OF AMERICA'S FOREIGN LOANS

This table shows the results of another independent examination of the "status of American portion of foreign dollar bonds (amounts outstanding, partial, and complete defaults) as to interest service at end of 1943."

These bonds include all publicly and privately placed issues, regardless of whether they are Government guaranteed, which have come to the attention of the Department of Commerce.

World War I loans are excluded.

The total bonds outstanding at the end of 1943 were	$2,288,500,000
In complete default as to interest	404,200,000
In partial interest default through service at adjusted terms	204,000,000
In partial interest default through service at reduced rates	349,000,000
Total in interest default on one account or another	957,200,000

(Source: Estimated United States holdings of foreign dollar bonds, at end of 1943, according to the Status of Interest Service, International Payments Unit, Bureau of Foreign and Domestic Commerce, June 13, 1945.)

TABLE V.—*Status of American portion of foreign dollar bonds (amounts outstanding, partial and complete defaults) as to interest service at end of 1943*[1]

	Bonds in partial defaults		Bonds in complete default	Total amount of bonds outstanding
	Through adjustments	Through reduced rates		
Australia				[2]$89,300,000
Belgium			$3,000,000	12,400,000
Bolivia			53,600,000	53,600,000
Brazil		$208,900,000	6,000,000	214,900,000
Canada	$53,400,000		1,000,000	1,133,700,000
Chile	20,800,000	138,900,000		181,200,000
China			2,200,000	2,200,000
Colombia	25,400,000		89,100,000	125,900,000
Costa Rica			6,800,000	6,800,000
Cuba	17,600,000			24,500,000
Czechoslovakia			2,000,000	2,000,000
Denmark				44,900,000
Dominican Republic				5,300,000
Ecuador				
Egypt				
El Salvador			9,800,000	9,800,000
Ethiopia				
France				1,000,000
Greece			14,800,000	14,800,000
Guatemala	1,600,000			1,600,000
Haiti				5,600,000
Honduras				
Iceland				
India				
Iran				
Iraq				
Liberia				
Luxemburg				
Mexico	39,000,000		85,500,000	124,500,000
Netherlands				
New Zealand				
Nicaragua				
Norway				25,000,000
Panama	8,300,000	1,200,000	200,000	13,500,000
Paraguay				
Peru			53,200,000	53,200,000
Philippine Commonwealth			1,500,000	24,000,000
Poland			45,400,000	45,400,00
Union of South Africa				
Union of Soviet Socialist Republics				5,400,000
United Kingdom				
Uruguay	37,900,000		700,000	38,600,000
Venezuela				
Yugoslavia			29,400,000	29,400,000
Total	204,000,000	349,000,000	404,200,000	2,288,500,000

[1] Bretton Woods countries only.
[2] Includes Oceania.

TABLE V–A

The data of table V is here continued for the non-Bretton Woods countries.

Status of American portion of foreign dollar bonds (amounts outstanding, partial and complete defaults) as to interest service at end of 1943

	Bonds in partial defaults		Bonds in complete default	Total amount of bonds outstanding
	Through adjustments	Through reduced rates		
Argentina	$53,600,000		$600,000	$160,100,000
Bulgaria			4,800,000	4,800,000
Danzig			1,800,000	1,800,000
Estonia			1,300,000	1,300,000

Status of American portion of foreign dollar bonds (amounts outstanding, partial and complete defaults) as to interest service at end of 1943—Continued

	Bonds in partial defaults		Bonds in complete default	Total amount of bonds outstanding
	Through adjustments	Through reduced rates		
Finland	$1,300,000			$3,700,000
Germany			$73,100,000	73,100,000
Hungary			31,600,000	31,600,000
Ireland				300,000
Italy			66,300,000	66,300,000
Latvia				
Lithuania			400,000	400,000
Rumania			4,400,000	4,400,000
Armenia				
Japan			98,800,000	98,800,000
Total	54,900,000		283,100,000	446,600,000

Mr. TUNNELL. Mr. President, I have listened very attentively to the debate on Dumbarton Oaks and also Bretton Woods. I have been interested in the statement that no one seems to understand the monetary question. I think that many persons understand practically all that it is necessary to understand in regard to the monetary question. I do not know that we must understand each of the technicalities which might be connected with this great subject. I sometimes ride in an automobile, but I do not know anything about the machinery of it. I know when the automobile needs fixing. I know when it goes and when it stops.

During the early part of this year I was in the Mediterranean area. At that time we heard constantly the contention being made that something would have to be done with reference to the money question if America was to have any trade in that area following the Second World War. The people of that area are desirous of buying where they can buy the cheapest, and selling where they can sell for the highest price. They are ordinary human beings, who have the business outlook in a situation of this sort. I found that they were anxious that something be done.

We then heard a great deal about the sterling bloc in that area; and there is a sterling bloc. In the debate I have heard in the Senate I have heard no one deny that something should be done.

Unfortunately we have had hints that a partisan political matter is being made out of the money question. A few days ago I saw a headline in the Washington Post in which it was stated that TAFT Opens GOP Fight Against Bretton Woods. Since that I have seen that an attempt is being made to make this a partisan political matter. Fortunately, in the vote yesterday there was a very clear indication that many Senators on the other side of the aisle did not believe in making it a partisan political issue.

Mr. President, I think we have been shown that there is a necessity for something being done, and even in the presentation of the motion that was made yesterday that this question be postponed until the 15th of November, there was a plain admission that something should be done within a short time.

I shall now read some of the quotations from the closing address to the Bretton Woods Conference by Henry Morgenthau, Jr., with reference to the question as to whether anything need be done. This is one quotaiton:

The actual details of a financial and monetary agreement may seem mysterious to the general public. Yet at the heart of it lie the most elementary bread-and-butter realities of daily life. What we have done here in Bretton Woods is to devise machinery by which men and women everywhere can exchange freely, on a fair and stable basis, the goods which they produce through their labor. And we have taken the initial step through which the nations of the world will be able to help one another in economic development to their mutual advantage and for the enrichment of all.

I quote further from the same address:

To seek the achievement of our aims separately through the planless, senseless rivalry that divided us in the past or through the outright economic aggression which turned neighbors into enemies would be to invite ruin again upon us all. Worse, it would be once more to start our steps irretraceably down the steep, disastrous road to war. That sort of extreme nationalism belongs to an era that is dead. Today the only enlightened form of national self-interest lies in international accord. At Bretton Woods we have taken practical steps toward putting this lesson into practice in monetary and economic fields.

I quote further:

This is the alternative to the desperate tactics of the past—competitive currency depreciation, excessive tariff barriers, uneconomic barter deals, multiple currency practices, and unnecessary exchange restrictions—by which governments vainly sought to maintain employment and uphold living standards. In the final analysis, these tactics only succeeded in contributing to world-wide depression and even war. The International Monetary Fund agreed upon at Bretton Woods will help remedy this situation.

Second, long-term financial aid must be made available at reasonable rates to those countries whose industry and agriculture have been destroyed by the ruthless torch of an invader or by the heroic scorched earth policy of their defenders.

Long-term funds must be made available also to promote sound industry and increase industrial and agricultural production in nations whose economic potentialities have not yet been developed. It is essential to us all that these nations play their full part in the exchange of goods throughout the world.

They must be enabled to produce and to sell if they are to be able to purchase and consume. The International Bank for Reconstruction and Development is designed to meet this need.

Objections to this Bank have been raised by some bankers and a few economists. The institution proposed by the Bretton Woods Conference would indeed limit the control which certain private bankers have in the past exercised over international finance. It would by no means restrict the investment sphere in which bankers could engage. On the contrary, it would expand greatly this sphere by enlarging the volume of international investment and would act as an enormously effective stabilizer and guarantor of loans which they might make. The chief purpose of the International Bank for Reconstruction and Development is to guarantee private loans made through the usual investment channels. It would make loans only when these could not be floated through the normal channels at reasonable rates. The effect would be to provide capital for those who need it at lower interest rates than in the past, and to drive only the usurious money lenders from the temple of international finance. For my own part, I cannot look upon the outcome with any sense of dismay. Capital, like any other commodity, should be free from monopoly control, and available upon reasonable terms to those who would put it to use for the general welfare.

Here is a further quotation:

This monetary agreement is but one step, of course, in the broad program of international action necessary for the shaping of a free future. But it is an indispensable step in the vital test of our intentions. We are at a crossroad, and we must go one way or the other. The Conference at Bretton Woods has erected a signpost—a signpost pointing down a highway broad enough for all men to walk in step and side by side. If they will set out together, there is nothing on earth that need stop them.

Mr. President, I have heard no argument which would tend to show that this statement of the Secretary of the Treasury was not correct and did not correctly depict the situation. There is the necessity, all admit the necessity, yet some say action should not be taken now, and some say it should not be taken at all.

It is said by some, "Let us simply fight the only proposal that exists," on the theory that no other one will ever succeed. This, to my mind, is an attack not only upon the economy of the Nation but upon the actual existence of the Nation.

We have been told that the proposal is simply a gift of billions of dollars. There is nothing in the record, and nothing in the history of events which led up to the Bretton Woods Conference, that would give or justify that impression, and I do not know why such statements are made.

The Senator from South Dakota a while ago called attention to the fact that approximately $14,000,000,000, I believe he said, in money was gotten from the United States by way of bonds during the twenties. He is correct in that statement. The administration which was in power at that time was doing exactly what Senators have seen other administrations do at other times. It was encouraging the sale of worthless bonds to the banks of this Nation for the purpose of selling American goods in South America. That is what happened and that is why the bonds were purchased to such an extent as they were. In my sec-

tion of the country they were recommended by the national bank examiners when they went to the banks. That was what was being done in the 1920's. The administration, at that time, unloaded the worthless bonds on the small banks of this Nation, and there was a loss. But it was done for the purpose of trade. It was done deliberately, it was done effectively, and it was done for the purpose of selling American goods in exchange for the money for which the bonds were delivered. That is exactly what happened, and that is why there was a loss. But that was not a gift in the ordinary sense. It was the way in which the American people or the small bankers of the Nation were fooled into the purchase of those bonds, and for a time the bubble was kept from breaking until in 1929 it burst. There was an end of it then. That is the history of the loss to which the Senator from South Dakota referred.

Mr. President, it is said that this is a gift. Those who went to Bretton Woods were not exactly such individuals as one would expect to attempt to defraud the world. There is nothing in the Bretton Woods agreements that says it is to be a gift. Just the opposite is what is stated in the agreement. I shall name some of those who participated in that conference. To me they do not seem to be swindlers.

First, Henry Morgenthau, Jr., Secretary of the Treasury, chairman of the delegation.

Fred M. Vinson, Director, Office of Economic Stabilization, vice chairman.

Dean Acheson, Assistant Secretary of State.

Edward E. Brown, president, First National Bank of Chicago.

Leo T. Crowley, Administrator, Foreign Economic Administration.

Marriner S. Eccles, Chairman, Board of Governors of the Federal Reserve System.

Mabel Newcomer, professor of economics, Vassar College.

BRENT SPENCE, House of Representatives; chairman, Committee on Banking and Currency.

CHARLES W. TOBEY, United States Senate; member, Committee on Banking and Currency.

ROBERT F. WAGNER, United States Senate; chairman, Committee on Banking and Currency.

Harry D. White, Assistant Secretary of the Treasury.

JESSE P. WOLCOTT, House of Representatives; member, Committee on Banking and Currency of the House of Representatives.

These individuals attended that Conference and they thought something had to be done or should be done. I have heard nothing on the floor of the Senate to contradict that idea. People generally realize that something should be done.

Mr. President, what is the alternative? Let us look at that for a few minutes. In the first place we have been told that some arrangement could be made between Great Britain and the United States. And the first step toward that arrangement is the offer of the amendment by the Senator from Ohio, which would drive the United Kingdom out of the Bretton Woods agreement.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. TUNNELL. I yield.

Mr. TAFT. The amendment would not drive the United Kingdom out of the Bretton Woods agreement.

Mr. TUNNELL. I will not yield, Mr. President, for that kind of argument.

Mr. TAFT. It simply says——

Mr. TUNNELL. This debate has to be absolutely on the level. There is no use to tell me that it would not, because everyone who knows anything about the situation knows that it would.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. TUNNELL. I will yield to the Senator if he wants to ask a question or make a fair suggestion, but do not make a suggestion such as that.

Mr. TAFT. The suggestion merely is that what the amendment does is not to drive them out. It simply says, "You have to put your whole house in order before you draw money from this Fund." As a matter of fact, the British fully expect to put their house in order. They expect to——

Mr. TUNNELL. I shall not yield to the Senator to make a speech.

Mr. TAFT. I will make a speech in my own time.

Mr. TUNNELL. That is all right. I wish the Senator would.

Mr. TAFT. If the Senator will yield—the statement the Senator made is not true.

Mr. TUNNELL. I will say that the statement made by the Senator from Ohio now is not true. He knows very well that his amendment would keep Great Britain out, and I would go further and say that it is done for that purpose deliberately. I do not know what the motive is behind this amendment. I do not know why the objective is to drive Great Britain out. But anyone who has listened to the arguments knows that that is the effect and, coming from an intelligent source, must be the object.

There is the proposition. Knowing that Great Britain at this time cannot possibly do the things required by the amendment, it demands that she do them now. Again I repeat the headline of the Washington Post, "TAFT Opens GOP Fight on Bretton Woods." At a time when the future of the world is at stake, we are fighting a political battle.

Without Great Britain in this great organization what could be the outcome? Oh, Senators talk about sterling blocs. Yes; there is a sterling bloc, and that is exactly one of the things necessary to be eliminated. And here is a proposition which would eliminate it, but not by giving, as debaters have said, without the slightest excuse for making the statement—not by giving. There is no use trying to defeat this bill by an argument which is not warranted, and for which there is no excuse.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. TUNNELL. I yield.

Mr. MURDOCK. Does not the Senator feel that the Bretton Woods agreement works hand-in-glove with the United Nations Charter signed at San Francisco?

Mr. TUNNELL. Unquestionably.

Mr. MURDOCK. They supplement and complement each other.

Mr. TUNNELL. Yes. Yesterday in one of the newspapers I saw a cartoon which pictured a man with his trousers off. That man, of course, represented the World Charter, and the trousers were the Bretton Woods agreement. They were being handed to him to put on.

Mr. MURDOCK. Mr. President, will the Senator further yield?

The PRESIDING OFFICER (Mr. MAGNUSON in the chair). Does the Senator from Delaware yield to the Senator from Utah?

Mr. TUNNELL. I yield.

Mr. MURDOCK. I wonder if in the opinion of the distinguished Senator such a condition as this might exist in the minds of some of the opponents of the Bretton Woods agreement: Because of the unanimity in America today for the United Nations Charter, the opposition does not dare to come out in the open and fight that instrument; but in order to fight the United Nations Charter, its opponents try to cripple it by fighting Bretton Woods. Does the Senator agree that that might possibly be the attitude of mind of some of the opponents of Bretton Woods?

Mr. TUNNELL. I think there is no question about that.

I have already read what the Secretary of the Treasury has said. He said:

> This monetary agreement is but one step, of course, in the broad program of international action necessary for the shaping of a free future. It is an indispensable step in the vital test of our intentions.

We are speaking now from our standpoint with relation to other nations. I do not go as far as some go in the idea of helping other nations. I think there are two sides to the question. I believe that for our own sake, and not from the standpoint of any other nation, something must be done. If I believed that there was the slightest ground for the statements which have been made on the floor of the Senate, that these loans are intended as gifts of several millions of dollars, I would not favor the proposal. But when an unfair statement is made, not based upon fact, for the purpose of striking at the peace of the world, then I will not sit by idly and hear such a statement repeated.

Two things have been found to be necessary. One is the stabilization of currency. I believe that none of us is too young to remember something about the lessening of the value of the currency in Germany after the First World War. I believe I heard the Senator from Kentucky say that a wheelbarrow load of money was required to pay for some small article such as a pair of shoes, showing how the currency had been depreciated in that country. It can be done. Each nation has the right to depreciate its currency, and each nation has been doing so when it suited its purpose.

I was asked by the Senator from Utah something about where the opposition is

coming from. I have suggested one source which involves a political angle. I read again a sentence from the speech of the Secretary of the Treasury:

> The institutions proposed by the Bretton Woods Conference would indeed limit the control which certain private bankers have in the past exercised over international finance. It would by no means restrict the investment sphere in which bankers could engage.

It would not damage honest investment. It might take the control away from certain banking interests which wish to use it for their own benefit. The Secretary says that that is one reason for the opposition. He did not say the opposition here, but the opposition; and the opposition counts here more than anywhere else.

I have heard it said that a gift is involved. The amount we are to raise, as I remember, is $2,750,000,000. That is in connection with the plan for stabilizing currency. Two billion seven hundred and fifty million dollars is a terrific amount of money, and I for one do not want the Government of the United States to give it away to any other nation. I do not think we are under sufficient obligation to any other nation in the world to give it $2,750,000,000 if we are to get no benefit from the transaction.

I have heard the statement made that we will get nothing, but that is only an idle prophecy. I do not know whether anyone who makes such a statement would wish to be quoted a year from now. If this organization succeeds in stabilizing currency—and who will say that it will not?—we will obtain a benefit from it.

We have the best financial brains in the world behind this plan. Some of the men who really know what this means testified before the committee. If any Senator has doubts as to what financial experts are, let him read the first two volumes of the testimony taken before the committee. He will find how little some of the home-made experts on finance really know about it. They seldom made a statement that was not refuted by the real experts without any difficulty. I was greatly impressed by the fact that the real experts had absolutely no trouble in showing that there was no such situation as that suggested by some of our people who thought they knew about finance.

I listened with a great deal of interest to the Senator from Utah [Mr. MURDOCK] because throughout the hearings and throughout this debate he has shown that he knows what this is all about. This is the situation which existed as to so many nations prior to this war: The only money with which they could buy anything in their homeland was either the pound sterling or their own currency. But some of our people say that we ought to have bilateral agreements—an agreement between the United States and Great Britain, an agreement between the United States and France, and so forth. I believe that that is what the so-called sterling bloc would like to have done. But under this arrangement, if people want their dollars to buy something in the United States, where they cannot sell their products, they can sell their products to a nation which needs them, and buy what they need with American dollars purchased through this organization.

The bilateral agreement is really confined to what can be traded. It is a matter of barter between nations. The bilateral agreement is practically confined to that field. The difficulty with the sterling bloc, so far as our Nation is concerned, is that a number of nations which might be purchasers of American goods are tied up in the sterling bloc, and can buy only through Great Britain. That gives Great Britain an advantage which it otherwise could not have. If Great Britain becomes a party to the Bretton Woods agreement, it places itself in a position where it agrees as soon as it can be done, to remove restrictions and discriminations, and give the world a chance to buy. If any country—and it matters not what country—wishes to buy something in the United States, and yet its products are not salable in the United States, this is exactly the sort of organization which is needed, so that it can sell where its goods are wanted and buy from the country which has what it needs. So far as I have heard in this debate, that proposition has not been denied.

It is said that consideration of the bill should be postponed for 3 months, 5 years, or some other period. Those who are opposed to it will suggest anything to put it off, anything to defeat it. But in the meantime, after this war, trade is to be established in the channels which the nations can set up. The United States has not been in a position to sell its goods to advantage to the rest of the world. We have been told by the opponents of the Bretton Woods agreements that they will not enable the United States to sell its goods to advantage to the rest of the world. Perhaps they will not, but any alternative proposals will not have that result, either. I refer to any suggestions which have been made in opposition to the Bretton Woods agreements. No workable suggestion has been made. The opponents of the Bretton Woods agreements say, "If you go into this, Great Britain will stick to her private arrangements." Let me inquire whether Great Britain will not stick to her private arrangements if we do not go into the Bretton Woods agreements.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. TUNNELL. I yield.

Mr. LUCAS. The question raised by the able Senator from Delaware with respect to Great Britain's continuance of her private arrangements; for instance, with respect to the wartime restrictions which she now has, is a most interesting one. We have been told, for instance, that India has a tremendous amount of money in the Bank of England, that that money is frozen at the present time, and that the only country with which India can trade is England. Certainly those wartime restrictions could continue long after the war unless we enter into an agreement of the kind now proposed; and there is nothing in the world, as I understand the situation, which would keep England from continuing those restrictions, thereby preventing India, which has a large balance of money in the Bank of England, from trading with this country.

But if England enters into the Bretton Woods agreement, which she approved a year ago, she will agree as soon as possible to release the wartime restrictions and controls, thereby giving India, for instance, and other countries which have such large credit balances in London, an opportunity to trade with this country much sooner than otherwise would be the case. I ask the Senator whether I am correct in that statement?

Mr. TUNNELL. The Senator is entirely correct.

Mr. RADCLIFFE. Mr. President, will the Senator yield to me?

Mr. TUNNELL. I yield.

Mr. RADCLIFFE. Commenting on what the Senator from Illinois has just said, let me emphasize that not only would it undoubtedly be the desire of Great Britain to do what the Senator has suggested, but the Bretton Woods agreements would create facilities, which do not now exist, to enable the accomplishment of that purpose by our ally, Great Britain, who has contributed so greatly to the success of the United Nations in this war and has suffered so greatly in doing so.

Mr. TUNNELL. There is no doubt about it. The point I am attempting to emphasize is that this difficulty is not something which has just developed. It is something which has been known for a number of years by everyone familiar with the situation. There has been this difficulty with respect to American trade; it has been a handicap under which we have been laboring. Here is an agreement which, if carried into effect and if observed conscientiously by ourselves as well as by other nations, will reach the very difficulty which has been causing us to suffer.

Mr. MURDOCK. Mr. President, will the Senator yield to me?

Mr. TUNNELL. I yield.

Mr. MURDOCK. Even in the bilateral agreements which England has recently entered into—for instance, the one with Sweden—there are found provisions to the effect that anything in the agreements which may be in conflict with or which do not conform to the Bretton Woods agreements will be void.

Mr. TUNNELL. That is correct. To say that the promises made in the Bretton Woods agreements will not be observed is to say that we will be defrauded by other nations. The statement has been made on the floor of the Senate time and time again within the last several days that the Bretton Woods agreements do not mean anything, but that they will result simply in giving away $6,000,000,000 for which we will receive nothing. If that be true, not only are other nations attempting to defraud the United States, but our own representatives, the Senator from New York [Mr. WAGNER] and the Senator from New Hampshire [Mr. TOBEY] have been guilty of gross negligence; they have allowed someone to put something over on them. I do not think it is possible to put anything over on either one of them, and I will trust

their judgment just as fully as I would trust the judgment of the critics, and perhaps a trifle more so.

Mr. President, the first purpose is to establish the value of currency. In order to make that entirely clear, let me refer to the Mediterranean area, because I think of it in particular. Suppose a person living in Morocco has certain goods which he wishes to sell in the United States—for instance, fertilizers, which are shipped from that area, and perhaps tropical fruits which are not grown in the United States to any great extent—and suppose that person wishes to buy something in the United States, for instance, automobiles or anything else that we manufacture; perhaps shoes. The person who wishes to buy such articles in the United States does not know how he can pay for them. He does not know how to get the dollars with which to pay for the things he buys here. The Bretton Woods agreements will furnish him with a ready-made organization for that purpose; they will provide him an opportunity to sell his goods, not alone to the United States, but wherever he can get the most money for them, and then he will be able to buy where he can buy the cheapest. I am stressing that point in particular because of what our position will be after this war is over.

A few years ago we were told that the United States did not have the necessary ships. Today the United States has the ships—more than any other nation in the history of the world has ever had. If this war were to close during the year 1945, the United States would have 55,000,000 tons of shipping—sufficient to carry all the commerce of the world. We have the money. Only a few days ago I saw a statement to the effect that we have $142,000,000,000 in the form of deposits in our banks. We have the brains; even though in some quarters the Bretton Woods brains may be under suspicion, we do have the brains to transact business. We have the greatest manufacturing industries the world has ever seen. Having the money, the men, the brains, and the shipping facilities, why should we not sell?

Everywhere I went on the eastern hemisphere I met with the same statement. Namely, "We cannot handle the money question." Here, Mr. President, is being made an honest effort to handle the money question as between our own Government and the government which controls that great area abroad about which we have been speaking. Some say, "Oh, she will not observe the agreement." Yet, not for the world would those same persons impugn the motives or conduct of Great Britain.

Mr. President, the motion now pending before the Senate would kill the Bretton Woods agreements, and, I venture to say, it is so intended. To do so would leave our immense amount of shipping, our money, our products, and our people generally handicapped in world trade.

Why should we not take that fact into consideration? It has not been long since we were debating in this Chamber the question of what we should do following the war in order to dispose of the great volume of products which we manufacture and grow. We need a method by which to dispose of them. We are now being offered a method by which it is intended—notwithstanding what the opponents of the agreements may say—to open the way of the United States to world trade. There has been expressed such a fear on the part of a certain element in American business life that they will fight exports in order to prevent having any imports. That is the situation with which we are confronted, and yet unless some way is provided by which we may dispose of our exports, of goods which we will have for sale when the war is over, we will have not merely a little panic but a big one.

Mr. President, shall we grasp the opportunity which is being presented to us, or shall we allow political opportunism to get in the way of not only our own future but the future of the entire world? That is the question which the Senate must decide.

Mr. BARKLEY. Mr. President, yesterday afternoon I announced that Senators could prepare themselves for an evening session. In view of the fact that many Senators have asked me if I meant what I said, I wish now to announce that we will hold an evening session. We are compelled to dispose of the pending legislation. We must later take up the tax bill, the Export-Import Bank bill, and other proposed legislation which has come to the Senate for disposition. Senators may be prepared for a night session unless we can dispose of these matters before then. I feel that Senators are entitled to this announcement at this time in order to accommodate themselves to the situation.

Mr. WHITE. Mr. President, I am glad that the Senator from Kentucky has made the very definite statement which has just come from him. I agree with him that it is of the utmost importance that we proceed with proper dispatch to the conclusion of the legislative work which is now immediately before the Senate, and which will soon thereafter follow. I do not like night sessions any more than does any other Senator. I think the time has come when the Senator from Kentucky is wholly justified in the announcement which he has made.

Mr. BARKLEY. I believe the Senate is willing to accommodate itself to the program, but I merely wanted to advise Senators that we may be compelled to hold a night session.

Mr. WILLIS. Mr. President, I have listened with profound reaction to the very able arguments made by my distinguished colleagues in opposition to the participation of the United States in the International Monetary Fund and the International Bank, based upon the Bretton Woods agreements.

On the basis of cold, practical business principles alone, I would have to vote against American participation in these proposals, for there is no assurance that this Nation's participation will bring back to us dollar for dollar the huge amount we will have to invest. But I submit to the Senate that people of America do not view the Bretton Woods proposals from the standpoint of business alone. The people of America, like the people of the world, are striving to build a just and durable peace. They view the Bretton Woods proposals as an effort to strike out on a new and uncharted path toward a goal toward which civilized men have worked since the dawn of history—peace. It is worth while that in our day we make our effort, though it may be unsuccessful, toward this same goal.

Therefore, the Bretton Woods proposals should not be measured wholly by the standards applied in cold business operations. They constitute, together, an investment in confidence that other nations are honestly striving for the same goal toward which we are toiling. Without confidence, all business principles fail. With confidence, many seemingly unsound proposals will succeed.

I have just returned from a brief stay in Indiana where I talked with men and women in all walks of life. I found one common bond among them all—a desire that this Nation, under God, shall do everything reasonable and proper and possible to convince other nations that our whole aim is to promote just and lasting peace among all the nations of this world. I have an idea that this desire for peace—lasting peace—is as strong in the heart of the average Russian and the average Frenchman and the average Britisher—yes, even the average German—as it is in the heart of the average American.

I realize, Mr. President, that we cannot legislate morality, just as I realize that many of our citizens are prone to put too much faith in charters and treaties and plans and conferences. We know a just and lasting peace can come only through spreading knowledge and tolerance and good will in every nation, so that the day will come when more men will want peace than will want war.

Mr. President, let us be coldly realistic about the problems we shall have to face in the future. The task of maintaining peace in the world will rest upon three nations, the United States, Great Britain, and Russia. These three nations together will control this program. The task will be made successful to the degree that we can establish cooperation and confidence among all the other nations as to our sincerity of purpose in our international relations. This proposed legislation is an earnest of these intentions.

But in spite of charters, in spite of agreements, in spite of funds and banks, America must be strong—militarily strong, economically strong, morally and spiritually strong, if we are to successfully discharge our opportunity in the world of tomorrow. But for our past economic might, this world today would doubtless be prostrate under the heel of the aggressors. We in the Senate must always be on guard and must realize that it is folly to recklessly squander our resources, lest one day, in the face of an even graver crisis, we find ourselves destitute as a Nation.

Cognizant of all these facts, most of which it may be said should impel me to vote against the Bretton Woods proposal, there is one larger fact to which my mind ever returns when I ponder this proposal and correlated measures now before the Senate. That fact is that we have invested astronomical sums to

win this war. We have invested hundreds of billions of dollars in money, almost a million men in casualties, more than 100,000 lives of the finest of our youth, and untold amounts of irreplaceable raw materials to keep this country sovereign and free. Therefore, I cannot but look upon the sum we are called upon to invest here other than as a relatively small pledge in our endeavor to make these former expenditures to have been worth while. If it delays another war for but a year it will be a most profitable investment.

I have come, therefore, to look upon the Bretton Woods proposals not as an economic cure-all, but as one more faltering step we are making as a Nation with the hope in our heart and the prayer on our lips that this is another step on the road to a just and lasting peace.

Mr. President, I am willing to admit that my colleagues who predict that in 5 or 10 years the operations of this Bank and this Fund will bring us untold grief may be right. They will be as quick as I shall be to rejoice if their prophecies are but unrealized gloomy forebodings. I am willing to gamble that this investment will bring profitable and, I sincerely hope, rich returns. There is certainly a possibility—indeed, a strong probability—that many men in our Nation and in other nations will be noble and honest and willing to pay promptly as we all wish.

I am going to vote for this proposal because—I repeat—it represents another step toward what we hope is the ultimate goal—a just and lasting peace. I will cast my vote in the hope and in the prayer that men will be different in the future, and that we in this body who supported these proposals will not have cause, in future years, to rue the day we supported this proposal.

Mr. MORSE. Mr. President, the address just made by the distinguished Senator from Indiana [Mr. WILLIS] so clearly sets out my point of view in regard to Bretton Woods that I am somewhat hesitant to proceed to make the remarks I had prepared for delivery at this time, because I think in one sense they will be somewhat cumulative. Yet, Mr. President, I do not feel that I can let this debate come to a close without placing in the RECORD my view as to Bretton Woods, which so nearly coincides with the attitude just expressed by the Senator from Indiana that it will be somewhat repetitious.

The more I study the Bretton Woods proposals, the more I appreciate how fundamental the pending bill is to postwar prosperity and peace.

The Fund and Bank, it seems to me, will go a long way toward preventing a repetition of the chaotic conditions of the 1930's when normal world economic relations broke down. In the discontent and unemployment that followed, the cankerous growth of dictatorship took root, grew, and eventually cast its evil shadow over the entire civilized world.

The sequence is now pretty well established. In world depression, when the people lose hope for economic betterment, they are all too easily swayed by the reckless promises of an adventuresome leader. "Follow me," he says, "and I will gain for you a place in the sun. If our neighbors cannot understand our needs, we may be compelled to use strong measures."

That sort of talk sounds good to the unemployed whose sensibilities have been dulled by lack of opportunity. But, of course, prosperity and employment purchased by strong-armed methods can be maintained only by the continued and unscrupulous use of these methods, which in turn generates suspicion and hatred, and eventually leads to war.

In the shrunken world of today, there is no room for that sort of shoving and pushing. The bullies who do it are bound to get mixed up in a brawl, and then all of us are likely to get hurt. We dare not run the risk of repeating the experience of the 1930's.

That is what the Bretton Woods proposals are about. They offer a way to get all nations to cooperate in bringing about universally desired objectives. They deal with the everyday business of living, producing, trading, and prospering, not in the world of Daniel Boone—the world of the flintlock, the oxcart, and the hand loom. No; they deal with the world as it is—with the world of General Eisenhower, of robot bombs, stratoliners, and mass production.

Plans for political and military security, prepared at Dumbarton Oaks and welded into effective form at San Francisco, are tremendously important. There is no doubt of that. But in order to give this superstructure a firm foundation, in order to eliminate the economic conflicts that lead to war, we must provide for international cooperation at the level of day-to-day business transactions. Peace cannot be reduced to a chapter in the textbooks. If it is to endure, it must be vital, a result of sensible arrangements that take into account the individual's urge constantly to improve his standard of living through increased production and expanding trade.

To be sure, we do not have in the Bretton Woods proposals the entire answer to the problem of achieving postwar prosperity and peace. What we do have is a good beginning—something on which to build. Behind these proposals lie several years of intensive study and consultation among the United Nations on two great problems. First, how can we restore or replace what has been destroyed? Second, how can monetary and financial systems be put back in working order and made to promote peace rather than generate conflict?

These questions go to the heart of the postwar problem. They set one to thinking of the incalculable destruction of total war, of transportation systems reduced to exploded locomotives and twisted rails, of factories and port facilities charred and gutted, of valuable machinery stripped from its foundation and carted away.

In the Articles of Agreement drawn up at Bretton Woods, together with the enabling legislation now before us, are partial solutions to these problems. They may not be the best that could be devised by a single expert working in a vacuum. But they were not devised in a vacuum. They were hammered out by representatives of 44 different countries and are to be applied to a very imperfect world.

The job of rebuilding and restoring is too great for any one country to bear alone. It is a job that can be successfully undertaken only by all countries working together.

Mr. President, during the lunch hour I had a conference with an American representative on UNRRA who has just returned from China. The story he tells and the information he presents in regard to the chaotic economic conditions which confront that country are sufficient, it seems to me, to convince any reasoning person that we cannot permit that chaos to continue in a large segment of the world and expect prosperity and peace in the United States.

The point that we must always bear in mind is that our own interest in seeing that this job is done does not rest entirely on American generosity. While to be sure we like to see other people prosper for their own sake, our first concern must be, as it is here, with what is best for us. Our own self-interest as a nation in my judgment dictates support for Bretton Woods. In order that other countries may provide markets for our surpluses and produce raw materials to feed our factories, we must wish for their prosperity as we would wish for our own. So great has been the disruption and destruction of war that to untangle the wreckages, to rebuild and restore the old, to uncover, and develop the new, will require the concerted efforts of all countries.

In this the International Bank for Reconstruction and Development will play a potent role. It will make certain that the necessary foreign capital is available, supplied by private investors rather than by governments, to supplement local materials and local labor.

Mr. TAFT. Mr. President, will the Senator yield for one question?

Mr. MORSE. I am glad to yield.

Mr. TAFT. The Senator referred to relief to be extended by the International Bank to cities which are destroyed. The other day I read into the RECORD Mr. Crowley's statement as follows:

> At best, however, the International Bank cannot be in effective operation for a year or 18 months.

There is in the Senate the Export-Import Bank bill which has to do with an organization intended to deal with that particular situation. So I really do not quite see what the International Bank has to do with the present condition in Europe which has to be met.

Mr. MORSE. I think the realistic fact is that these war-torn areas are not going to be rebuilt completely, for a period of 5 years and more. If we have at least the Bretton Woods machinery ready to do what it can do, limited as it may be, even in 18 months, I think that will justify our support of it.

Mr. President, the Bank will encourage private international investment by guaranteeing the repayment of principal and interest—and that means that all member countries bear the risk. When private capital is not available,

even with the Bank's guaranty, the Bank will make direct loans. Both guaranteed and direct loans will be made in connection with specific projects, with the stipulation that they will be used to pay for necessary imports from abroad.

But this sort of aid will not be enough. Steps must also be taken to reestablish workable exchange relationships among the world's currencies, and to prevent the unfair use of monetary devices to interfere with trade.

The nations of Europe must have assurance that once their economies are restored they will be able to sell their goods to pay for imports which the United States, perhaps more than any other country, will be in a position to supply. England and Canada, our best customers, are also counting on an expansion of exports. It is a well-established fact, however, that a few countries cannot expect a substantial increase in their foreign trade unless the increase is general. And it is apparent to all that trade expansion on an appreciable scale will not be possible until the currency restrictions that have hampered commerce in the past are lifted.

The International Monetary Fund will meet this specific problem. The Fund provides, first, for the joint determination of exchange rates, based on gold as a common denominator. Each nation will propose its own gold parity, but before a country may become a member of the Fund and have access to its resources, the Fund must be convinced that the parity proposed is in harmony with other parities. Similar provision is made for international cooperation on changes in exchange rates, on the relaxation of exchange restrictions, and on other international monetary and financial problems. In this way, the Fund will provide the order and stability in exchange relationship that is essential to a revival of world trade.

Mr. President, may I say by way of digression that I for one recognize that there is, of course, in this organization or in any type of international organization we set up in any field of human endeavor, ample opportunity for the exercise of bad faith and for the promoting of world political alinements that might do injury to members of the Fund.

My answer to that is more an expression of a hope than of an argument. If we cannot hope for world cooperation, if we cannot expect nations to act in good faith in their relations with each other, then the world situation is truly hopeless. I for one feel that we at least ought to make this attempt. The money that is involved, as has been pointed out so ably by the Senator from Indiana, is after all small compared with the great cost of war. We ought to make at least this attempt to develop a greater degree of cooperation and understanding on the international economic front. It is a reasonable insurance premium.

If we cooperate wholeheartedly in the achievement of these ends, we will have done much toward eliminating in advance the causes of another orgy of mechanized murder, of another total war which might well mean total destruction of modern civilization. We have so depleted the wealth of the world in this war, a depletion which I am satisfied we have not even started to comprehend as yet, that I seriously doubt whether the world could hang together as groups of civilized peoples if we undertook such another holocaust. It is certainly more than probable that we are faced, along with the other civilized nations, with the last great opportunity to establish world peace on both the economic and military fronts.

The Fund and Bank proposals for international cooperation must still be accepted by the participating governments. I am quite sure that the majority of the people of the United States are for them. The House of Representatives has approved them by the overwhelming vote of 345 to 18. I am convinced that by a preponderant majority the Senate will approve them.

The Members of this body are fully aware of what is at stake. They know that on the action we take may well depend our chance for an enduring peace. If the postwar period is allowed to become one of economic confusion and chaos, if economic and political isolation are allowed to take firm root in any part of the world, the years ahead may turn our present victories into nothing more than an armistice, a breathing spell in which to prepare for another total war. The Senate of the United States must not let that happen again.

If on the other hand we take the lead in getting all countries to work together, to solve their common economic problems through international cooperation, we shall have eliminated a constant and irritating source of international friction. We shall have cleared the way for the reconstruction of the war-torn countries, for the development of the backward areas of the world—for trade, prosperity, and, above all, for enduring peace.

It is because of the potential possibilities of Bretton Woods as a great force in world economic stabilization, its success, of course, depending upon the good faith cooperation of the nations of the world, that I am glad to raise my voice in support of Bretton Woods, and to urge its adoption by the Senate of the United States.

Mr. BALL. Mr. President, referring to the pending amendment offered by the Senator from Ohio [Mr. TAFT], I wish to say that I believe a great many Senators are concerned with the indefiniteness of the transition period during which restrictions may be retained on exchange. While we may not want to support the amendment in its present form, I am wondering if the chairman of the Committee on Banking and Currency will say what his attitude would be if an amendment were submitted in the same form as sections 13, which was placed in the bill by the House committee, under which the governor representing the United States would be directed to submit an amendment to the board of governors providing that, say, after 3 years or 5 years there should be a limitation on the use of the Fund by members who at that time still retained restrictions on the free exchange of currencies.

Mr. WAGNER. Mr. President, answering the Senator from Minnesota, I wish to read section 4 of article XIV, as follows:

SEC. 4. Action of the Fund relating to restrictions: Not later than 3 years after the date on which the Fund begins operations and in each year thereafter the Fund shall report on the restrictions still in force under section 2 of this article. Five years after the date on which the Fund begins operations, and in each year thereafter, any member still retaining any restrictions inconsistent with article VIII, sections 2, 3, or 4, shall consult the Fund as to their further retention. The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this agreement. The member shall be given a suitable time to reply to such representations. If the Fund finds that the member persists in maintaining restrictions which are inconsistent with the purposes of the Fund, the member shall be subject to article XV, section 2 (a).

That would deny the member anything out of the Fund.

Mr. BALL. Yes; I am familiar with the section 4 which the Senator has just read. But still I do not think that ties it down particularly; that under the language of the agreement it is still entirely within the discretion of the governors of the Fund as to whether they shall in effect expel a member from the Fund, which would be quite drastic action. I do not think they would do it. I think many people in the United States and many Senators would feel better if our Government were at least willing to propose an amendment whereby if a member nation did not after 3 or 4 years eliminate these restrictions, its right to use the Fund would either be eliminated or drastically limited. It seems to me that any nation which after 3 or 4 years still retains exchange restrictions, thereby shows that it has not solved its internal economic problems, and it should not use the Fund for that purpose. Therefore it should be suspended from use of the Fund until it has internal economic stability.

Mr. WAGNER. Mr. President, section 2 of article XV has this to say about compulsory withdrawal:

SEC. 2. Compulsory withdrawal: (a) If a member fails to fulfill any of its obligations under this agreement, the Fund may declare the member ineligible to use the resources of the Fund. Nothing in this section shall be deemed to limit the provisions of article IV, section 6, article V, section 5, or acticle VI, section 1.

The proposed amendment would require the various nations to hold another conference, if that could ever be done, and to that extent I imagine the adoption of the amendment would result in killing the bill, as the distinguished majority leader said a little while ago.

Mr. BALL. I was not talking about the pending amendment so much as I was asking the Senator's attitude concerning an amendment in the same form as section 13 which was put in the bill by the House committee, under which the United States would direct its member on the Board of Governors to propose an amendment to limit the use of the Fund on the part of a member who after 3

or 4 years had not removed the restrictions set forth in article VIII.

Mr. WAGNER. Mr. President, we regard the language as—

Mr. BALL. The Senator means he would oppose such an amendment?

Mr. WAGNER. Yes. We believe the present language is of such nature as would permit the Fund to adjust the entire matter.

Mr. BARKLEY. Mr. President, has the Senator from Minnesota concluded?

Mr. BALL. Yes.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the senior Senator from Ohio [Mr. TAFT] on page 2, at the end of line 3.

Mr. TAFT. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Gurney	Murray
Andrews	Hart	Myers
Austin	Hatch	O'Daniel
Ball	Hawkes	O'Mahoney
Barkley	Hayden	Radcliffe
Bilbo	Hickenlooper	Revercomb
Brewster	Hill	Robertson
Briggs	Hoey	Russell
Brooks	Johnson, Colo.	Saltonstall
Buck	Johnston, S. C.	Shipstead
Burton	Kilgore	Smith
Bushfield	La Follette	Stewart
Butler	Langer	Taft
Byrd	Lucas	Taylor
Capehart	McCarran	Thomas, Okla.
Capper	McClellan	Tobey
Chandler	McFarland	Tunnell
Chavez	McKellar	Vandenberg
Cordon	McMahon	Wagner
Donnell	Magnuson	Walsh
Downey	Maybank	Wheeler
Eastland	Mead	Wherry
Ellender	Millikin	White
Ferguson	Mitchell	Wiley
Fulbright	Moore	Willis
George	Morse	Young
Guffey	Murdock	

The PRESIDENT pro tempore. Eighty Senators have answered to their names. A quorum is present.

The question is on agreeing to the amendment offered by the Senator from Ohio [Mr. TAFT].

Mr. BARKLEY. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. TAFT. Mr. President, I ask unanimous consent to modify my amendment by striking out the last line and inserting the words "referred to in article VIII, sections 2, 3, and 4, which have not been approved by the Fund."

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Ohio to modify his amendment? The Chair hears none, and the amendment is modified as requested.

Mr. TAFT. Mr. President, the section originally read as follows:

> No member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency until it shall have removed all restrictions inconsistent with article VIII, sections 2, 3, and 4.

The senior Senator from Oregon [Mr. CORDON] pointed out that since sections 2, 3, and 4 refer to exceptions under article XIV, the amendment as written was ambiguous. The modification simply makes it clear that the restrictions referred to in article VIII, sections 2, 3, and 4, may be modified by the Fund; but if they have not been modified by the Fund, then no member shall be entitled to exchange currency.

The argument which has been made against this amendment will be made against any and all amendments, and that is that we cannot dot an "i" or cross a "t" in the agreements written at Bretton Woods, because otherwise that would mean a complete defeat of the proposals. I can quite understand why the Treasury Department was loath to have amendments started in the House, and have a whole series of them; but we now come to the last agreement, and it seems obvious that if we think this provision should be different, we should make it different.

I call attention to the substantial difference between the San Francisco Charter and the Bretton Woods agreement. At San Francisco all the differences were fought out, and the Charter was agreed to and signed without reservations, whereas the agreements at Bretton Woods, in the first place, were presented rather as proposals than as signed agreements to be ratified. The act of agreement says:

> The proposals formulated at the conference for the establishment of the Fund and the Bank are now submitted, in accordance with the terms of the invitation, for consideration of the governments and people of the countries represented.

The reservations appear on page 116 of the green book which I hold in my hand. They are also in the RECORD, although not in the copy which Senators have.

The Australian delegation made a number of reservations, particularly on the matter of drawing currency and exchange.

> The Australian delegation considered that in view of the wide fluctuations in the balance of payments of many agricultural countries, the annual drawing rights should be greater than 25 percent of the quota.

The French delegation made the following reservation with respect to article V, section 3 (a) (3iii):

> Reservation as to lack of flexibility as a result of prescribing a definite quantitative limitation on the purchase of currency from the Fund to the extent of 25 percent of the quota in a 12-month period.

The Soviet delegation had a number of reservations. So it is not as though this were a finished document, submitted to be accepted or rejected. I believe we have a perfect right to modify it, if we think it should be modified. It is said that modifications would kill it. The fact is that the agreement is so greatly to the advantage of all the countries which expect to borrow dollars that I have no fear whatever that they will not accept any reasonable reservation which we may make. I see no reason to think that such reservations would not be accepted by the other nations without the necessity for calling an additional conference. We are having an international conference every month anyway, and I see no reason why, in a matter of this importance, there should not be such a conference if it should become necessary.

The proposal before us is simple. It is not a proposal to exclude England from the Fund, as was suggested by the distinguished Senator from Delaware [Mr. TUNNELL]. It is a proposal simply that before any nation can draw down money for the purpose of enabling it to remove its exchange restrictions, it shall remove the exchange restrictions, or shall do so at the same time that it draws the money. The very purpose of drawing is that the country should remove those exchange restrictions. I pointed out that the English have stated that they do not intend to revoke their restrictions. They say they cannot revoke them, but they are going to draw the $1,300,000,000 which they will be entitled to draw just the same, and they are going to maintain all the restrictions in the sterling area. That is not an evidence of lack of good faith, because the agreement permits them to draw the money without accomplishing the results which are supposed to be accomplished by the Fund.

The British would not be excluded from the Fund by this amendment. They would simply be barred from the use of it until they settled their whole problem. Their problem can be settled if they wish to settle it. They can fund their long-term balances. They can determine how much more money they think they ought to draw in order that they may settle their affairs in a way which will enable them to remove the exchange restrictions; and if they are unable to draw the money until they do make such settlement, that is one additional incentive to them to make the settlement.

It seems to me that from our standpoint the whole purpose of the Fund as it is presented to us, is that it will make for a great increase in international trade; that it will increase our exports; and yet the greatest customer we have today has become practically an economic isolationist, and has said, "Under present conditions we are forced to say that we are going to discriminate against your exports. We are going to prevent people in the sterling area, or half of them, from taking your exports, because they have sterling, and we are going to permit them to use that sterling only in Great Britain."

That is the purpose of the amendment. It seems to me it is a very simple one.

I wish to have printed in the RECORD at this point, as a part of my remarks, and I ask unanimous consent for that purpose, an article by Henry Hazlitt, the financial editor of the New York Times, appearing in the Times of June 25, 1945.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The article referred to is as follows:

USING AMERICA'S BARGAINING POWER

(By Henry Hazlitt)

Administration leaders are planning to obtain congressional approval of the Bretton Woods agreements before the summer recess. This implies that the Senate Banking and Currency Committee, the full Senate, and the conferees of the two Houses are all expected to agree and act on the measure within the next 2 weeks. Such speed on a measure that will profoundly affect the economic future of this country and of the entire world perhaps for many years to come will be possible only if the Senate takes an even more uncritical view of the agreements than was taken in the House.

The Bretton Woods agreements have been sold to the American public by a set of specious slogans. The most effective of these has been that their acceptance precisely as they stand means international cooperation and freedom of world trade, while their serious amendment would mean isolationism and trade wars. Nothing could be further from the truth. As Prof. E. W. Kemmerer, monetary authority of world-wide reputation whose long record as an internationalist is beyond question, has put it:

"Realistically speaking, * * * the trend of the Bretton Woods monetary plan would be away from currency stability, free exchange, and internationalism and toward currency debasement, exchange controls, paper-money standards, and monetary nationalism. In other words, it would be in the direction exactly opposite to the primary purpose of the Fund as contemplated by its leading American proponents."

The economist who has had more influence than anyone else on the present form of the proposed Monetary Fund is Lord Keynes. It is significant that in the summer of 1933 Lord Keynes, in an article in the Yale Review, frankly recommended economic isolationism. He opposed the export of capital. He deplored international trade as full of dangers. "Above all," he insisted, "let finance be primarily national."

Perhaps Lord Keynes has since modified his views. But encouragement of essentially nationalistic policies runs throughout the Bretton Woods plan.

"We are determined," said Lord Keynes in the House of Lords in May of last year, "that, in the future, the external value of sterling shall conform to its internal value as set by our domestic policies, and not the other way round. * * * [And these domestic policies themselves] shall be immune from criticism by the Fund. * * * That is why I say that these proposals are the exact opposite of the [international] gold standard."

Lord Keynes got the provisions he was determined upon. He also got a provision under which other nations can be specifically authorized "to impose limitations on the freedom of exchange operations" in American dollars if these become "scarce." He even got a provision under which member nations are authorized permanently to "exercise such controls as are necessary to regulate international capital movements." They could not in practice control such capital movements without policing all foreign exchange transactions. In these provisions the Fund deliberately sanctions exchange controls, blocked currencies, nationalistic and quasi-autarchic trade policies.

The extraordinary argument has been put forward that America's entrance into the proposed Monetary Fund would strengthen our bargaining power in getting financial reforms or trade concessions from other countries. Again the truth is the exact opposite. If we approve the Fund just as it stands, we shall be throwing away our immense financial bargaining power—a bargaining power that could be our strongest weapon for securing world monetary stability and the removal of paralyzing restrictions on international trade. For we shall be tossing billions of dollars into an international pool which other nations may draw on as a matter of right and almost automatically, regardless of what we may think of their policies.

We can keep our bargaining power for reform only if the Fund is amended so that its managers can exercise beyond any doubt complete discretion regarding the terms and conditions on which individual nations may borrow from it. The minimum amendment to make this possible would explicitly authorize the managers of the Fund to withhold its resources from any nation which in their opinion was following either internal or external policies not conducive to exchange stability.

Mr. TAFT. Mr. President, I should like to read a part of the article at this time:

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Mr. President, the amendment I have offered is substantially the amendment described in the article. I hope my amendment will be agreed to.

Mr. BARKLEY. Mr. President, I wish merely to utter this word; I do not care to enter into an argument. I call attention to the fact that the so-called reservations recited by the Senator from Ohio are not reservations in the real sense of the word. They are not reservations in the sense of reservations which the Senate would adopt in connection with the ratification of a treaty, by which the treaty itself would be modified. These are things which the delegates to the Bretton Woods Conference wanted to get into the agreement, but they did not get them into the agreement, and the agreement has been signed as it is by the representatives of all the nations.

The PRESIDENT pro tempore. The question is on agreeing to the modified amendment of the Senator from Ohio, which will be stated.

The LEGISLATIVE CLERK. On page 2, at the end of line 6, it is proposed to add the following:

Provided, however, That this acceptance shall become effective only when the governments of the countries having 65 percent of the quota set forth in schedule (a) shall have agreed that the Articles of Agreement to the Fund shall be amended to insert section 6 in article XIV as follows:

"SEC. 6. No member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency until it shall have removed all restrictions referred to in article VIII, sections 2, 3, and 4 which have not been approved by the Fund."

The PRESIDENT pro tempore. The question is on agreeing to the modified amendment of the Senator from Ohio.

Mr. TAFT. I ask for the yeas and nays.

The PRESIDENT pro tempore. The yeas and nays have already been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BUTLER (when his name was called). On this vote I have a pair with the senior Senator from Alabama [Mr. BANKHEAD]. I transfer that pair to the senior Senator from Idaho [Mr. THOMAS], and will vote. I vote "yea."

Mr. SHIPSTEAD (when his name was called). On this vote I have a pair with the Senator from Maryland [Mr. TYDINGS]. If present, the Senator from Maryland would vote "nay." If permitted to vote, I would vote "yea."

Mr. WAGNER (when his name was called). I have a general pair with the Senator from Kansas [Mr. REED], who I am advised if present would vote "yea." I transfer that pair to the Senator from Florida [Mr. PEPPER], and I will vote. I vote "nay."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent because of illness.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Texas [Mr. CONNALLY], the Senators from Rhode Island [Mr. GERRY and Mr. GREEN], the Senator from Texas [Mr. O'DANIEL], the Senator from Louisiana [Mr. OVERTON] and the Senator from Maryland [Mr. TYDINGS] are absent on important public business.

The Senator from Florida [Mr. PEPPER] is absent because of the death of his father.

The Senator from Montana [Mr. WHEELER] is detained in a committee meeting.

I am advised that, if present and voting, the Senator from North Carolina, the Senator from Alabama, the Senator from Rhode Island [Mr. GREEN], the Senator from Florida, and the Senator from Maryland would vote "nay."

I further announce the necessary absence of the Senator from Utah [Mr. THOMAS], who, if present, would vote "nay." He has a general pair with the Senator from New Hampshire [Mr. BRIDGES].

Mr. WHERRY. The Senator from New Hampshire [Mr. BRIDGES], the Senator from Kansas [Mr. REED], and the Senator from Iowa [Mr. WILSON] are absent on official business.

The Senator from Idaho [Mr. THOMAS] is absent because of illness.

The Senator from New Hampshire [Mr. BRIDGES] has a general pair with the Senator from Utah [Mr. THOMAS].

The Senator from Kansas [Mr. REED] has a general pair with the Senator from New York [Mr. WAGNER], the transfer of which has been announced heretofore. If present, the Senator from Kansas would vote "yea."

The Senator from California [Mr. JOHNSON], who would vote "yea," has a pair on this question with the Senator from North Carolina [Mr. BAILEY], who would vote "nay." He is unavoidably absent.

The Senator from Idaho [Mr. THOMAS] would vote "yea."

The result was announced—yeas 23, nays 53, as follows:

YEAS—23

Brooks	Hart	Revercomb
Buck	Hawkes	Robertson
Bushfield	Hickenlooper	Taft
Butler	La Follette	Wherry
Capehart	Langer	Wiley
Capper	McCarran	Willis
Cordon	Millikin	Young
Gurney	Moore	

NAYS—53

Aiken	Guffey	Murdock
Andrews	Hatch	Murray
Austin	Hayden	Myers
Ball	Hill	O'Mahoney
Barkley	Hoey	Radcliffe
Bilbo	Johnson, Colo.	Russell
Briggs	Johnston, S. C.	Saltonstall
Burton	Kilgore	Smith
Byrd	Lucas	Stewart
Chandler	McClellan	Taylor
Chavez	McFarland	Thomas, Okla.
Donnell	McKellar	Tobey
Downey	McMahon	Tunnell
Eastland	Magnuson	Vandenberg
Ellender	Maybank	Wagner
Ferguson	Mead	Walsh
Fulbright	Mitchell	White
George	Morse	

NOT VOTING—19

Bailey	Green	Thomas, Idaho
Bankhead	Johnson, Calif.	Thomas, Utah
Brewster	O'Daniel	Tydings
Bridges	Overton	Wheeler
Connally	Pepper	Wilson
Gerry	Reed	
Glass	Shipstead	

So Mr. TAFT's amendment, as modified, was rejected.

The PRESIDENT pro tempore. The bill is before the Senate and open to further amendment.

Mr. MILLIKIN. Mr. President, I send to the desk the amendment which I ask to have read.

The PRESIDENT pro tempore. The amendment offered by the Senator from Colorado will be stated.

The CHIEF CLERK. On page 2, at the end of line 6, it is proposed to add the following:

Provided, however, That this acceptance shall become effective only when the governments of the countries having 65 percent of the quota set forth in schedule (a) shall have agreed that the Articles of Agreement to the Fund shall be amended by striking out section 5 of article VII and inserting the following:

"SEC. 5. The provisions of this article shall not be invoked to excuse failure to comply with any treaty, reciprocal trade agreement or public or private debt agreement or other contract now or hereafter in effect."

Mr. MILLIKIN. Mr. President, it is agreeable to me that the amendment be voted upon without debate.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Colorado.

The amendment was rejected.

Mr. MILLIKIN. Mr. President, I send to the desk another amendment which I ask to have read.

The PRESIDENT pro tempore. The amendment offered by the Senator from Colorado will be stated.

The CHIEF CLERK. On page 2, at the end of line 6, it is proposed to add the following:

Provided, however, That this acceptance shall become effective only when the governments of the countries having 65 percent of the quota set forth in schedule (a) shall have agreed that the Articles of Agreement to the Fund shall be amended by striking out article VII.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Colorado.

The amendment was rejected.

Mr. LANGER. Mr. President, I send to the desk the amendment which I ask to have read.

The PRESIDENT pro tempore. The amendment will be read.

The CHIEF CLERK. On page 2, before the period in line 6, it is proposed to insert the following:

Provided, That the President shall not accept such membership on behalf of the United States unless and until the Articles of Agreement of the Fund and the Articles of Agreement of the Bank are amended so as to prohibit the use of the resources of the Fund, or the making of loans by the Bank, for the purpose of enabling any member to purchase or produce arms, ammunition, or implements of war.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from North Dakota.

The amendment was rejected.

Mr. TAFT. Mr. President, I send to the desk the motion which I ask to have read.

The PRESIDENT pro tempore. The motion will be read.

The Chief Clerk read the motion, as follows:

Mr. TAFT moves to refer the bill and the amendments to the Committee on Banking and Currency, with instructions to eliminate all reference to the International Bank for Reconstruction and Development and report the bill immediately in a form authorizing the President to accept membership for the United States in the International Monetary Fund.

The PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Ohio.

Mr. TAFT. Mr. President, this is the last time I shall consume time of the Senate in connection with the pending bill.

This is a proposal which has been brought about by the fact that we have now pending on the Senate Calendar a bill to increase the lending power of the Export-Import Bank from $700,000,000 to $3,500,000,000, which represents an increase of $2,800,000,000.

Mr. Crowley testified before the Banking and Currency Committee within the past few days and stated that he wants the $2,800,000,000 so that it may be loaned to European nations, with the possible exception of perhaps $100,000,000 which may be used in South America.

Heretofore the Export-Import Bank has been primarily for the purpose, in most instances, of helping American exporters in South America. We are now asked to approve a new policy which will enable the Export-Import Bank to go into Europe and make rehabilitation loans following the present war. In other words, the bill proves what I have been saying right along, namely, that the International Bank in particular is not an emergency proposition, and it is not intended to be used to reconstruct Europe. When asked why he wanted the funds in addition to those which would be provided by the International Bank for making loans, Mr. Crowley testified that at best the International Bank could not be put into effective operation for a year or 18 months.

So the proposition is not an emergency one, Mr. President. It is not one for the purpose of taking care of Europe today. It is a long-distance plan for the guaranty of investments abroad when we do not guarantee the same investments at home.

I invite the attention of the Senate to the total amount of financing which we are now being asked to approve. Mr. Crowley testified that during the 12 months we will send abroad under lend-lease $4,400,000,000 worth of goods. That will be probably a gift. Some of it may be paid for; Belgium, I believe, will pay for the goods which she receives; but in general, it will be a gift. The amount will be, in money value, $4,400,000,000. To that we add through the Export-Import Bank $2,800,000,000. Mr. Crowley has said that that is only for the next 12 months; that it will last only 12 months. It is no longer a revolving fund. It is an outright long-term loan which will be made to the countries of Europe for 15, 20, or 25 years. That means that we will spend, even without considering or approving this bill, $7,200,000,000 in the form of gifts and loans for rehabilitation purposes alone. I think it is doubtful whether we should spend that much money. Certainly, if we are going to spend that much, in my opinion it should solve the European problem by itself. I believe that if the $7,000,000,000 were properly applied and negotiated with each nation wherever it was needed, it would solve the underlying trade problems. But, as it will actually be disbursed I do not think it will solve those problems. Now we are being asked to add to that sum the International Monetary Fund in the amount of $2,750,000,000. That totals approximately $10,000,000,000 which will be drawn out of the Treasury or at least authorized within the next 2 years.

Mr. President, it is interesting to see where that money will go. Some have said, "Well, the British are able to maintain the pound at $4.03." Why? Largely because we have been sending them lend-lease at the rate of $4,000,000,000 a year, and we propose to send them more lend-lease this year at the rate of $2,000,000,000 a year, for which they pay nothing, and which will enable them to balance their trade budget to a large extent. England is not supposed to be a direct beneficiary of the Export-Import Bank, but nevertheless she may receive $200,000,000. In a little more than 3 years she may draw $975,000,000 out of the Fund. In other words, out of this $10,000,000,000 the British will receive more than $3,175,000,000.

Under the lend-lease provision, during the next 12 months the Russians will receive $1,000,000,000. According to Mr. Crowley's testimony the Russians will receive another $1,000,000,000 out of the Export-Import Bank. Out of the Fund she will be able to draw within a little more than 2 years $900,000,000. So we are about to make a loan to Russia which

will be in addition to any military supplies which will be used in carrying out the war against Japan. Some of the material may be useful. It may be food for the Army. I do not know exactly where the supplies will go. However, the $2,900,000,000 is in addition to any direct military supplies.

France will get about $1,500,000,000 and other nations about $2,300,000,000, of this $10,000,000,000.

In the first place, I doubt whether we should lend Russia such a sum as $2,900,000,000. I think it is very doubtful whether it is wise national policy, for a great many reasons which I can think of.

The $3,000,000,000 that we lend to England is almost immediately used up on their current balances, and does not enable them to solve their basic problem. I predict to the Senate that the administration will be back here asking for at least $3,000,000,000 more for England, either under lend-lease or the Export-Import Bank, or some other provision, because it will probably take that much in order to do the essential things for England, instead of the things which are proposed, like the stabilization of currency which will not stabilize. So I judge that probably at least another $13,000,000,000 will have to be provided.

In addition to that, we set up this Bank, under which there may be sold in this country, under international guaranty, we ourselves putting up $3,000,000,000, a total of $9,100,000,000. So that if we pass the pending bill and the Export-Import Bank bill, we will be making available to Europe and the world, mostly Europe, about $19,000,000,000. I think probably we will have an additional English loan of two or three billion dollars, which would make it total about $22,000,000,000.

I say that any such program of foreign lending is going to wreck this country, and it is going to be on such a tremendous scale that the money can never be paid back. We will just repeat the experiences of the twenties. The twenties were referred to as "the dizzy decade of the twenties." In the twenties we did exactly what is now proposed, except that we did not do it on such a grand and magnificent scale. We advanced $4,000,000,000 just after the armistice, and that is entirely charged off; no one ever thought of paying it. We then went on and loaned at the rate of about a billion dollars a year for 8 or 9 years, so that we probably loaned abroad altogether, in addition to what was done during the war, approximately $12,000,000,000. That is about the difference between our exports and imports as shown in the table submitted by the Senator from Nebraska today.

Mr. CHANDLER. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. CHANDLER. I agree with a great deal the Senator from Ohio has said about this subject, but I want him to remember that during the last war we had not bargained with our partners, and we had nothing left except money, and they needed money. In the last war we had not contributed nearly so much in either money or manpower or material as we have committed ourselves to do and have done in this war. That was the reason, with the full knowledge of what had gone before, that some of us, even on this side, have insisted that we undertake to make some agreements with our partners before the end of the war. Those agreements were not made.

When President Wilson was at the peace conference, things did not turn out satisfactorily even there. Before he had left the peace conference, agreements were made which he did not like. We had only one power left, and that was the American dollar, and we had agreed to make loans to some of the foreign countries then. If one reads the history of that time he will find that Mr. Wilson got in touch with the then Secretary of the Treasury, who, if my memory serves me correctly, was the Honorable CARTER GLASS, of Virginia, and undertook to stop a commitment for the loan of money to our allies. But it was too late; the loans had already been granted, and that was the last card President Wilson had to play. From that time on our condition got gradually worse, until the upshot of it was that the American people, at least some of them, lost confidence in what we were undertaking to do, and we never did go into the so-called League of Nations.

This time we have committed ourselves beyond what was ever committed by any other nation, I suppose, in the history of man, in manpower, in money and materials, and we have not made the agreements some have urged.

I want Russia in the war against Japan. I want England fully in the war against Japan, just as fully as we committed the American boys to the destruction of Germany; and without our full commitment of men, materials and money, Germany would not have been brought to the place where she is today, that is, brought to heel.

I regret that these understandings were not had sooner. I asked for them 2 or 3 years ago, and was criticized by many of my own brethren for asking. They said, "That is something you should not do. You should not ask that."

Now the only thing we have left that other people need, is money. We have the war now; the war now is our war, it is no other country's war but the American people's war, and we have to finish it. I am anxious to have Russia and England fully commit themselves, just as fully as we committed ourselves in the war in Europe. If it takes a few more billion dollars, very well; it is our war now, and we want to have it finished.

Mr. TAFT. The Senator seems to have missed the point of what I have been saying. I have not counted one dollar that has gone into this war. I have not counted one dollar or any war materials that are going to England and Russia today. What I say all refers to postwar rehabilitation and relief. Not only that, but we are giving it, without one single condition. Once we pass the pending bill $6,000,000,000 is gone, and we have no strings on it. We have no strings on the $4,000,000,000 of lend-lease that is going out during the year which began on the 1st of July.

The only bargaining weapon we have left is the Export-Import Bank. There is $2,800,000,000, and we can make our conditions, because we are lending it ourselves. That is a weapon, and I hope it will be used as a weapon.

Mr. CHANDLER. Mr. President, I wish to ask the Senator what he thinks the effect would be of our failure to enter into these agreements at this time, when we find ourselves in need of the support other countries can give us, and if they do give it to us—I mean in the war—it may result in a shortened war, in the loss of fewer American lives?

Mr. TAFT. I should say that if we did not pass the Bretton Woods bill the other nations would say, "Well, we never really thought they would do such a foolish thing as was proposed there. We wish they would." But I do not think it would set us back one iota. Just today we have read different articles from English newspapers saying, "This thing is so foolish we do not think England should go into it." There is no settled opinion abroad about this matter. Most of the nations would like to get the money, but after all, the money would be split up into such little pieces that it would not do any one nation any particular good.

As to the Bank, that is not going to become operative for 18 months, and the people abroad are not worrying about what is to happen 18 months from now. What they want is help now, and the way to help them is by direct loans from this Government.

There are two departments of the Government concerned. The Treasury Department says, "We would like to make the loans through an international bank." Mr. Crowley says, "I would like to make the loans through the Export-Import Bank." They compromise by both coming in before the Congress and asking for both of them. So we just have a duplication, different departments of the Government, one wanting to do it the international way, the other wanting to do it the national way.

My suggestion in this amendment is that if the Congress is determined to go into this currency stabilization fund—that is what all the debate has been about, so far as Bretton Woods is concerned—very well; that is $10,000,000,000 we are going to spend in lend-lease, in the Export-Import Bank and in the Fund in the next 12 months. Let us spend it, but let us hold off this permanent Bank, and see what happens when we spend that $10,000,000,000 in 1 or 2 years. Let us not pass the Bank part of the bill. Incidentally, the Bank has always been an appendix to the Fund. It was just an afterthought. When Mr. Morgenthau presented it first he said it might be worked out, and might not be. Even when the delegates went to Bretton Woods they were not certain it could be worked out. It is a new policy. It is a different policy. It is a policy of Government guarantee of sale of securities in the United States, which is what happened after the last World War.

It is said that the bonds may be sounder by reason of this policy. That may be so. But that, Mr. President, is not so much the question. The question is, Are we doing this in such a tremendous volume that after doing it the nations involved will have to say, "We are sorry, but we cannot pay it back?" And if they say that there is no way under the sun by which we can compel them to pay it back.

I think lending should be in reasonable amount. It ought to be small at the time. After all, a billion dollars is a large amount of money. People have gotten so used to speaking of "a billion" that they do not think what it really means. We could do a tremendous amount of good for Europe with a billion dollars. I think we could solve the whole problem with six or seven billion dollars if that were the limit allowed.

So, Mr. President, instead of offering an amendment, which would raise a very difficult issue because it would be necessary to rewrite the whole bill, I have simply moved to recommit the bill to the Banking and Currency Committee with instructions to eliminate the Bank and bring back the Fund.

Mr. TOBEY. Mr. President, I shall take about 3 minutes. We are nearing the close of the debate on this very far-reaching matter. I think all of us who have listened to the debate for the last 4 days will pay tribute to the great ability of the Senator from Ohio and to his tenacity of purpose, and to his sincerity. I certainly do.

But the Senator from Ohio in my judgment is entirely wrong in advocating the elimination of the Bank. We sat in the Banking and Currency Committee through these hearings, as did Representatives who attended the hearings of the House committee, and the only voice that has been raised against the Bank is the voice of the Senator from Ohio. Witness after witness criticized the Fund, but even the American Bankers' Association paid tribute to the Bank.

Mr. President, the Bank is conservatively organized. It can lend only 100 percent of its resources, capital, and profit.

Mr. President, when the whole country, the banking interests and representatives of numerous organizations which appeared before the committee, and both committees of Congress, of the House and Senate, favor the Bank, which is half of the Bretton Woods agreement, let not the Senator from Ohio become an accessory after the fact and destroy this Bank.

Therefore, I say, defeat this amendment. Vote it down and pass the bill. And so, so far as the Bank goes, send notice out to the world that David was right when he said in one of the psalms:

How good and pleasant it is for brethren to dwell together in unity.

Mr. TAFT. Mr. President, I ask for the yeas and nays on my motion.

The yeas and nays were not ordered.

The PRESIDENT pro tempore. The question is on the motion of the Senator from Ohio.

The motion was rejected.

Mr. TAFT. Mr. President, I ask for the yeas and nays on the bill.

Mr. BALL. Mr. President, is the bill not open to amendments?

The PRESIDENT pro tempore. It is.

Mr. BALL. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDENT pro tempore. The amendment will be stated.

The CHIEF CLERK. At the proper place in the bill it is proposed to insert a new section as follows:

SEC. —. The governor of the Fund appointed by the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement to provide that after the Fund has been in operation 3 years the right of a member to use the Fund's resources shall be suspended or limited if such member has in effect exchange restrictions inconsistent with article VIII, sections 2, 3, and 4. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

Mr. BALL. Mr. President, this amendment is in the same form as the language adopted by the House Banking and Currency Committee with respect to the Fund and Bank. In other words, it merely directs the United States governor of the Fund to propose to the board of governors an amendment to the Articles of Agreement. If it is not agreed to by the governors we are still in the Fund 100 percent; but if agreed to it would simply provide that if any member retains restrictions on exchange after 3 years, the right of such member to use the resources of the Fund could be either suspended or limited.

It seems to me very clear that article XIV, which provides for these restrictions during the transition period, is wide open. That period might be extended any number of years. I think the people of the United States will feel a great deal more secure, whether an amendment is made to the articles or not, if the position of the United States Congress that it would like to have such an amendment is made clear, that Congress believes that 3 years after this Fund begins operations restrictions should be eliminated. I think we would all feel much better concerning the Fund if such an amendment were adopted.

Obviously the United States in the next 5 years will not need this Fund nearly as much as the other nations will. One can take American dollars, so far as I know, and go anywhere in the world and buy with them anything that is for sale. The reason other currencies today are not so good is that there is nothing to buy with them in most countries. This country, with perhaps the exception of South America, is the only country where there is any surplus of any kind for sale, and we do not have too much.

If the abuses possible under article XIV should develop it would be well to have the protection which my amendment would afford. After all, any nation which still must retain exchange restrictions 3 years after this Fund begins operations obviously has not stabilized its internal economy.

One of the stated "purposes" of the Fund is to eliminate exchange restrictions. Therefore it seems to me to be perfectly consistent with the Articles of Agreement as they now stand, to provide that any nation still retaining restrictions 3 years after the operations of the Fund begin shall be suspended—or perhaps only be limited in its use of the Fund's resources.

Mr. President, I have listened for 4 days to the discussion of this bill and I think the Senator from Ohio, although I disagree with his final conclusion in opposition to the bill, has performed a very valuable service because he has certainly made it clear, and I think the proponents of the bill have admitted it, that the bill is not a complete panacea for the world's economic troubles; that many of its articles contain provisions which, if not watched diligently by the United States representative, are open to abuse. Careful watch should be kept to make certain that the billions which the United States will contribute to these two international organizations shall not be dissipated without accomplishing their purpose.

Mr. President, I hope the United States governor and executive directors of these two institutions will represent the interests of the United States and push our need and desire for free multilateral trade without any exchange restrictions as vigorously as I believe they should be pushed, and much more vigorously, I might say, than unfortunately some of our representatives abroad have pushed our interests in the past few years.

To me the Bretton Woods agreements bear the same relationship to the immediate economic reconstruction problems after this war as the San Francisco Charter and the United Nations Organization therein proposed bear to the peace settlements which we hope will soon be under way in Europe. In other words, the charter and the United Nations Organization are not designed to make the peace settlement after this war, although obviously their task will be much easier the fairer and more just those peace settlements are. In the same way, the Monetary Fund and the International Bank are not designed to meet the immediate economic problems following this war, the internal stability problems of nations. The United Nations Organization is designed to prevent a recurrence of the little aggressions of the thirties which led to the Second World War. Similarly, the Fund and Bank are designed to prevent a recurrence of the barter systems, the various restrictions on trade, and the currency manipulations of the 1930's which led to or helped along the world-wide depression.

Twenty-five years ago the United States Senate refused to approve the United States joining the League of Nations, the first attempt by the nations at joint international action to prevent war. Therefore, I believe that there is perhaps an obligation on us to be the first nation to ratify the San Francisco Treaty, and I hope we shall be.

The Charter and the Organization which it envisages cannot begin to function effectively until we have enacted a statute defining our delegates' powers, and perhaps later ratified another treaty

setting up the military forces with which it will operate.

I think there is no such urgency or pressure on the United States to rush into this Monetary Fund and International Bank. A few weeks ago the Congress extended the Reciprocal Trade Agreements Act for 3 years, authorizing the President to make an additional 50-percent reduction in our tariffs. I believe that the United States Congress and the executive branch have both amply demonstrated that we are willing to go all the way in the field of economic cooperation to maintain stability in the world after the war. Unfortunately, I do not think we have anywhere near the same assurance from the other nations which are parties to this agreement. It was for that reason that I voted for the motion of the Senator from Ohio [Mr. TAFT] to postpone consideration of this bill until next November, because I think we should have a little more assurance that the nations which signed this agreement really mean to go along with its purposes, rather than take advantage of the loopholes provided in article XIV.

However, I believe that the Senator from Ohio argued from two false premises: First, that it is the purpose of this Monetary Fund to stabilize currencies within the various countries. I believe that article I, paragraph 3, clearly indicates that its purpose is to promote exchange stability, and not economic stabilization within a country. That is obviously a different problem. The first paragraph of article I reads as follows:

To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.

In other words, the purpose is to establish a multilateral trade system. I believe that the United States and the private enterprise system on which we depend, have a tremendous stake in seeing to it that a multilateral system of trade, with free competition, and with private enterprise having a chance, prevails in the postwar world. Therefore, I believe that we are justified in putting $6,000,000,000 into this venture in that direction.

I believe that the other premise on which the Senator from Ohio went a little astray was his assumption—as it seemed to me—that a majority of the voting stock in the Fund and Bank would be held by nations with no fundamental interest in seeing to it that it was operated on a reasonably conservative basis. I do not believe that the list of members and their contributions bears out that argument. For example, Belgium, Australia, Canada, and all the other members of the British Commonwealth, Denmark, India, the Netherlands, New Zealand, Norway, the Union of South Africa, and the United Kingdom are all great trading nations. They have just as great an interest as has the United States in maintaining international exchange stability and a system of multilateral clearances of trade balances. Their total quotas are $5,350,000,000. Clearly they will have a majority control on the board of governors of the Fund, and it seems to me that they will have much the same interest that the United States will have in maintaining as much freedom as possible in world commerce, and a system of multilateral clearances. I certainly do not believe that any one of those nations would want to be placed in the position of putting 225 percent of its quota into the Fund, drawing out perhaps 100 percent of its quota in dollars, and having all its currency in the Fund turn out to be worthless. Every one of those nations has a reputation in the world for commercial stability and honesty in its dealings, and I do not believe that they would deliberately sabotage the International Fund and Bank, as well as their own stability and reputation, by deliberately filling up the Fund with worthless currency.

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. BALL. I yield.

Mr. RUSSELL. The Senator's amendment has not been printed, and I do not have a copy of it before me. As I understand the amendment, it would not in any way delay the operation of the Bretton Woods agreement.

Mr. BALL. Not at all.

Mr. RUSSELL. It would merely instruct our representative on the board to endeavor to reduce the time within which currencies would be stabilized.

Mr. BALL. It would place a limit on the very indefinite transition period during which exchange restrictions could be maintained, as provided in article XIV.

Mr. RUSSELL. What is the period which the Senator suggests?

Mr. BALL. I suggest 3 years. The article itself provides that 3 years after the beginning of operations the Fund itself shall make a survey of such restrictions.

Mr. RUSSELL. The amendment is merely a directive to the representative of the United States on the board of governors to take certain action to facilitate the stabilization of currencies.

Mr. BALL. It is not even a directive to the board of governors. It is a directive merely to our representative on the board.

Mr. RUSSELL. I believe that the amendment is very timely.

Mr. BALL. It would still be up to the board to decide whether or not to adopt the amendment.

Mr. AUSTIN. Mr. President, will the Senator yield for a question?

Mr. BALL. I yield.

Mr. AUSTIN. Assume that the proposal contained in the pending amendment were carried out, and that it were defeated in the board. Thereupon is it probable that the following provision would have effect, just as though such a proposal had never been made? I refer to section 4, which reads in part as follows:

SEC. 4. Action of the Fund relating to restrictions.—Not later than 3 years after the date on which the Fund begins operations and in each year thereafter, the Fund shall report on the restrictions still in force under section 2 of this article. Five years after the date on which the Fund begins operations, and in each year thereafter, any member still retaining any restrictions inconsistent with article VIII, sections 2, 3, or 4, shall consult the Fund as to their further retention.

Mr. BALL. I believe that section would be in full force and effect.

Mr. AUSTIN. Should we adopt the pending amendment, would it in any way affect section 4, to which I have just referred?

Mr. BALL. Not at all. That section could not possibly be affected unless at our instance the board of governors should propose an amendment which would be subsequently ratified as provided for in the present Articles of Agreement.

Mr. AUSTIN. Mr. President, will the Senator yield for a further question?

Mr. BALL. I yield.

Mr. AUSTIN. Does the Senator consider that his proposal would affect any other part of the basic agreement?

Mr. BALL. I do not think it would have any effect at all on the agreement. I think it would be merely an instruction to the United States representative on the board of governors to propose a certain amendment, as the House of Representatives has done in the case of two other amendments which the House committee adopted. I may add that even if the board of governors did not approve the proposal and did not even propose an amendment, I think it would be a healthy thing for the Congress of the United States, by adoption of the amendment, to serve notice that we were expecting the other nations to do their part at the earliest possible date in removing exchange restrictions and really carrying out the purposes of this Fund.

Mr. BARKLEY. Mr. President, I do not like to take the time of the Senate, but I feel that some comment should be made on the amendment offered by the Senator from Minnesota. I regret very much that I feel compelled to oppose the amendment, for reasons which I shall express very briefly.

In the first place, our member of the board of governors and the board of governors as a whole will be free at any time to offer suggestions for amendments. The amendment of the Senator from Minnesota would require our member of the board of governors at the end of 3 years, regardless of conditions which might exist at that time, to propose amendments to the Articles of Agreement to the effect that if at that time any nation had not removed its restrictions, it should be denied use of the Fund or such parts of it as might be available.

Mr. BALL. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. BALL. I think the amendment provides that the use of the resources shall be suspended or limited.

Mr. BARKLEY. Well, if they are suspended, they may be suspended forever—indefinitely. That would be the same as declaring the nation ineligible at least during the period of suspension to participate in the Fund.

Mr. BALL. The intention of the wording is to leave discretion as to just what kind of a limitation would be made on the use of the Fund's resources—whether a complete suspension or a limitation on the 25 percent of its quota which it might withdraw, or some other limitation. The

wording was deliberately left general so that the board of governors would have complete discretion in the matter.

Mr. BARKLEY. Mr. President, the amendment would not increase the powers of the board of governors or of our representative or of any other representative. Under the agreement, they can suggest amendments at the end of 6 months after the agreement becomes effective, if they wish to do so, and can submit the amendments to all the nations for agreement. It seems to me dangerous to compel our member of the board of governors, by putting him in a strait jacket, to propose amendments, regardless of conditions which might exist at the end of the 3 years.

Furthermore, Mr. President, we are now almost at the end or conclusion of consideration of the bill, and I think the debate has been very fruitful and useful. I think it has been for the most part on a high level, dealing with a technical and involved subject. I wish to congratulate the Members of the Senate, whether they have been for or against this proposal, for the diligence with which they have attempted to study and discuss it. I pay tribute to the Senator from Ohio for his diligence and laborious efforts. I think he has frequently expressed a distorted view of the meaning of the agreement, but even in his distortions I think he has been perfectly sincere and honest. I do not have to pay tribute to the Senator from Minnesota, in whose sincerity and ability I have so frequently expressed my confidence.

However, Mr. President, adoption of the amendment would imperil passage of the bill at this time. We may as well understand that. The House of Representatives is waiting for the Senate to act on a resolution permitting the House to adjourn on Saturday. A quorum of the House is not in the city now. The House of Representatives has studied the amendments which the committee has proposed and which have been adopted by the Senate, and I am told there will be no difficulty in having them agreed to without objection on the part of the House. Then this legislation could be completed and could go to the President for his signature.

The amendment proposed by the Senator from Minnesota involves the injection into the proposal of a new equation which has not been considered in committee, either in the House of Representatives or in the Senate. I think it would be almost disastrous to do anything which would imperil passage of the proposed legislation at this time.

For that reason and for the reason that the amendment is not necessary in the first place, inasmuch as our representatives and all other representatives will be free to do whatever they may see fit to do under the conditions which may then exist and, of course, under conditions which might prompt the suggestion of amendments long before 3 years, I therefore hope the amendment will be rejected.

Mr. WHITE. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. WHITE. The amendment, as I understand it, directs that an amendment be offered at the end of 3 years. I was wondering whether the amendment is in such language that it would be such a directive as to the time when an amendment should be offered as to be a denial of the right to offer an amendment sooner.

Mr. BARKLEY. No; it would not be a denial of the right to offer an amendment sooner. The amendment is stated in five or six lines, and so I shall read it:

SEC. —. The governor of the Fund appointed by the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement to provide that after the Fund has been in operation 3 years the right of a member to use the Fund's resources shall be suspended or limited if such member has in effect exchange restrictions inconsistent with article VIII, sections 2, 3, and 4. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

Mr. President, the amendment would not require our delegate to wait for 3 years before proposing his amendment. The amendment might be interpreted as an instruction to our delegate at once to propose an amendment to the articles of agreement, providing that at the end of 3 years thereafter, if it were agreed to, the nation concerned should be suspended or limited in its operations under the Fund. Our member of the board of governors would not have to wait for 3 years; but he would be instructed to make such a proposal, I should say, as soon as practicable after the operation of the Fund is organized.

Mr. AIKEN. Mr. President, will the Senator yield for a question?

Mr. BARKLEY. I yield.

Mr. AIKEN. Suppose our director were to make such a proposal, but suppose it were not acted upon until after the end of the present Congress. Would not that in effect be attempting to bind the succeeding Congress? It does not look right to me.

Mr. BARKLEY. The present Congress will end on the 3d day of January 1947.

Mr. AIKEN. Even though our representative made the proposal promptly, it might not be acted upon until after the end of the present Congress.

Mr. BARKLEY. No, Mr. President; there is no limitation as to when it may be acted upon; but our representative would be directed promptly to offer the amendment to the articles and to support such an amendment, and I suppose the board of governors would have any length of time they might see fit to take to determine whether they would act favorably or unfavorably upon the proposal which our delegate might make.

Mr. AIKEN. But suppose they did not act upon it until the end of the present Congress? What would be the effect of that?

Mr. BARKLEY. I do not know that that would have any effect. If the amendment were adopted and if it went into the agreement, of course it would be binding and obligatory upon our delegate to make the proposal as soon as possible.

Mr. AIKEN. That is true.

Mr. BARKLEY. But the fact that it was not acted upon prior to the termination of the present Congress, which would occur on the 3d day of January 1947, in my judgment would not necessarily have any effect upon the binding force of the amendment on our delegate to the Board of Governors.

Mr. AIKEN. Even though it might not be adopted until the end of the 3 years, does the Senator think the instructions of this Congress would still hold?

Mr. BARKLEY. If the amendment is placed in the bill we are now considering, it will be permanent law until repealed; and if our delegate made the proposal, it might be made within a week after they organize. There would be no obligation for them to act upon it at once. It might be suspended in the Board of Governors, but our delegate would be compelled to propose it.

Mr. AIKEN. That is true.

Mr. BARKLEY. Regardless of time, he would be required to propose it.

Mr. AIKEN. But the Board of Governors would not be compelled to act upon it, even within the 3 years; would they?

Mr. BARKLEY. Oh, no; by an act of Congress we could not require the Board of Governors ever to act upon it. It would have to become a part of the Articles of Agreement before they would be compelled to act upon it.

Mr. AIKEN. Suppose a proposal were made and it was not acted upon for, say 4 years, and then was approved. Would whoever was then President still be obligated to accept it?

Mr. BARKLEY. I suppose it would be a binding obligation upon our delegate so long as it were in the law and until Congress repealed it.

Mr. DOWNEY. Mr. President, I should like to ask the able majority leader a question. Is it not true that if a year from now, or 2 or 3 or 5 years from now, the Congress of the United States wanted to direct its representative in the Bretton Woods organization to take any action on behalf of our Government looking to a request for an amendment, that could be done?

Mr. BARKLEY. Oh, yes. We are now passing upon a proposed act of Congress providing for the manner of appointment of our member of the Board of Governors. It is subject to amendment hereafter, just as any other law would be if, in 2 years or 5 years or 6 months, even, Congress should desire to amend its own law which we are now seeking to pass. If Congress desired to do that, it could be done.

Mr. DOWNEY. Then it would seem to me much better judgment for Congress to wait a year, 2 years, or 3 years, and then make such a decision if it should desire to make it.

Mr. BARKLEY. I think it would be in the interest of wisdom for Congress to be governed by any decision made in the wisdom of the Fund rather than to instruct in advance our member of the Board of Governors to offer amendments to the Articles of Agreement before the Board of Governors could pass upon them.

Mr. BALL. Mr. President, I think it would clear up the question which the Senator from Vermont asked with reference to the language if I should state

that the language is identical with that which was put in the bill by the House in sections 12 and 13, in which our representative on the Board is directed to propose amendments and authorize our President to accept amendments on behalf of the United States.

Mr. BARKLEY. That is where our member of the Board is instructed to obtain an interpretation from the Fund as to the use of the funds, and if the interpretation shall be of a certain type, he is instructed to vote for the amendment.

Mr. VANDENBERG. Mr. President, I have opposed every amendment which has been offered to this bill which could in any way interfere with the immediate successful launching of this great venture. I shall continue to oppose any amendment which would trend even indirectly in that direction.

However, it seems to me that the Senator from Minnesota now presents a totally different proposition. It cannot possibly interfere with the successful launching of the Fund. It cannot possibly interfere with the Fund during the initial years of its existence. It can never interfere with the operation of the Fund except with the approval of the governing Board. All that the Senator from Minnesota is asking the Senate to do, in my judgment, is to underline the fact that although we decline to put any restrictions upon the Fund at the present time, the Senate of the United States believes that sooner or later those who take advantage of loans for the purpose of stabilizing currency and removing restrictions upon international trade should complete their end of the bargain in order to justify receiving the loan.

Mr. President, I cannot vote "No" on a proposition which asks me to emphasize—and that is all it does—the fact that it is the opinion of the Senate of the United States that those who draw down this Fund for purposes of stabilizing their international trade, and for the object of removing restrictions to international trade, shall do what they undertake to promise to do sooner or later. I cannot believe that the Senate wants to decline to say that in the long view we are anxious that these restrictions shall be removed, that we intend that this Fund shall be used for that purpose, and that somewhere down the line we intend to ask for a test as to whether or not the restrictions have been removed by the beneficiaries of this Fund.

Mr. President, when the able Senator from Kentucky suggests that the amendment would jeopardize the passage of this bill because the House might decline to agree to an amendment of this nature, I am unable to share his anxiety. This amendment is in the precise language which the House itself twice used in amending the bill. I cannot understand why any Member of the House should disagree for an instant to the fundamental principle which is involved, and it is the only principle on which we are to vote. I certainly intend to vote for the amendment.

Mr. BARKLEY. Mr. President, despite what the Senator from Michigan has said, if this were a proposition to amend the act in the interim between its passage and its signature by the President, and the actual setting up of the Fund in its operation, I might be willing to support it. There will be ample time between the enactment of the bill and the date when the Fund will go into operation, in which to amend the law in any particular. I do not share the optimism of the Senator from Michigan when he suggests that in view of the parliamentary situation we are not endangering the passage of this bill by adopting the proposed amendment. It is a situation which I have not created. I think if this amendment should be agreed to, and it should happen that it would interfere with the immediate passage of the act, we may as well have agreed to the motion which the Senator from Ohio made yesterday to postpone consideration of the bill to the 15th day of November, because in all likelihood that may be what will happen.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Minnesota [Mr. BALL].

Mr. BALL. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. WILLIS (when his name was called). I am paired with the senior Senator from Arizona [Mr. HAYDEN] who is necessarily absent. I am informed that if he were present he would vote "nay." If I were permitted to vote, I would vote "yea."

The roll call was concluded.

Mr. BUTLER. I have a pair with the senior Senator from Alabama [Mr. BANKHEAD], which I transfer to the senior Senator from Idaho [Mr. THOMAS], and will vote "yea."

Mr. SHIPSTEAD. I have a pair with the senior Senator from Maryland [Mr. TYDINGS]. Not being advised how that Senator would vote if present, I withhold my vote. If permitted to vote, I would vote "yea."

Mr. WAGNER. I have a general pair with the Senator from Kansas [Mr. REED]. I transfer that pair to the Senator from Florida [Mr. PEPPER], who if present would vote "nay." I am therefore free to vote, and I vote "nay."

Mr. HILL. I announce that the senior Senator from Virginia [Mr. GLASS] is absent because of illness.

The Senator from Florida [Mr. PEPPER] is absent because of the death of his father.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Texas [Mr. CONNALLY], the senior Senator from Rhode Island [Mr. GERRY], the junior Senator from Rhode Island [Mr. GREEN], the Senator from West Virginia [Mr. KILGORE], the Senator from Louisiana [Mr. OVERTON], the Senator from Utah [Mr. THOMAS], and the Senator from Maryland [Mr. TYDINGS], are absent on public business.

The Senator from Utah [Mr. THOMAS] has a general pair with the Senator from New Hampshire [Mr. BRIDGES], and if present and voting the Senator from Utah [Mr. THOMAS] would vote "nay."

I further announce that if present and voting the Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Rhode Island [Mr. GREEN], the Senator from West Virginia [Mr. KILGORE], and the Senator from Maryland [Mr. TYDINGS] would vote "nay."

Mr. WHERRY. The Senator from New Hampshire [Mr. BRIDGES], the Senator from Kansas [Mr. REED], and the Senator from Iowa [Mr. WILSON] are absent on official business.

The Senator from Idaho [Mr. THOMAS] is absent because of illness.

The Senator from California [Mr. JOHNSON] is unavoidably absent.

The Senator from New Hampshire [Mr. BRIDGES] has a general pair with the Senator from Utah [Mr. THOMAS].

The Senator from Kansas [Mr. REED] has a general pair with the Senator from New York [Mr. WAGNER], the transfer of which has been announced heretofore. If present, the Senator from Kansas would vote "yea."

The Senator from California [Mr. JOHNSON], who would vote "yea," is paired with the Senator from North Carolina [Mr. BAILEY], who would vote "nay."

The Senator from Idaho [Mr. THOMAS] would vote "yea" if present.

The result was announced—yeas 29, nays 46, as follows:

YEAS—29

Austin	Ferguson	Robertson
Ball	Gurney	Russell
Brooks	Hart	Taft
Buck	Hawkes	Vandenberg
Bushfield	Hickenlooper	Wheeler
Butler	La Follette	Wherry
Byrd	Langer	White
Capehart	Millikin	Wiley
Capper	Moore	Young
Cordon	Revercomb	

NAYS—46

Aiken	Hill	Murray
Andrews	Hoey	Myers
Barkley	Johnson, Colo.	O'Daniel
Bilbo	Johnston, S. C.	O'Mahoney
Briggs	Lucas	Radcliffe
Burton	McCarran	Saltonstall
Chandler	McClellan	Smith
Chavez	McFarland	Stewart
Donnell	McKellar	Taylor
Downey	McMahon	Thomas, Okla.
Eastland	Magnuson	Tobey
Ellender	Maybank	Tunnell
Fulbright	Mead	Wagner
George	Mitchell	Walsh
Guffey	Morse	
Hatch	Murdock	

NOT VOTING—20

Bailey	Green	Shipstead
Bankhead	Hayden	Thomas, Idaho
Brewster	Johnson, Calif.	Thomas, Utah
Bridges	Kilgore	Tydings
Connally	Overton	Willis
Gerry	Pepper	Wilson
Glass	Reed	

So Mr. BALL's amendment was rejected.

The PRESIDENT pro tempore. The bill is still open to amendment. If there be no further amendment to be offered, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The PRESIDENT pro tempore. The question now is, Shall the bill pass?

Mr. BARKLEY. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. BUTLER (when his name was called). I have a pair with the senior Senator from Alabama [Mr. BANKHEAD]. I transfer that pair to the senior Senator from Idaho [Mr. THOMAS], and will vote. I vote "nay."

Mr. SHIPSTEAD (when his name was called). I am paired with the senior Senator from Maryland [Mr. TYDINGS], who would, if present, vote "yea." I am informed. If permited to vote, I would vote "nay."

Mr. WILLIS (when his name was called). On this vote I have a pair with the senior Senator from Arizona [Mr. HAYDEN]. I am informed that if he were present he would vote "yea," as I am about to vote. I vote "yea."

The roll call was concluded.

Mr. WAGNER. I have a general pair with the Senator from Kansas [Mr. REED]. I am advised that if present and voting the Senator from Kansas would vote as I intend to vote, and I am therefore at liberty to vote. I vote "yea."

Mr. HILL. I announce that the senior Senator from Virginia [Mr. GLASS] is detained because of illness.

The Senator from Florida [Mr. PEPPER] is detained because of the death of his father.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Texas [Mr. CONNALLY], the senior Senator from Rhode Island [Mr. GERRY], the junior Senator from Rhode Island [Mr. GREEN], the Senator from Louisiana [Mr. OVERTON], the Senator from Utah [Mr. THOMAS], and the Senator from Maryland [Mr. TYDINGS], are detained on public business.

The Senator from Arizona [Mr. HAYDEN] is necessarily absent.

I am advised that if present and voting, the Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Rhode Island [Mr. GREEN], the Senator from Arizona [Mr. HAYDEN], the Senator from Florida [Mr. PEPPER], the Senator from Utah [Mr. THOMAS], and the Senator from Maryland [Mr. TYDINGS], would vote "yea."

Mr. WHERRY. The Senator from New Hampshire [Mr. BRIDGES], the Senator from Kansas [Mr. REED], and the Senator from Iowa [Mr. WILSON], are absent on official business.

The Senator from Idaho [Mr. THOMAS] is absent because of illness.

The Senator from California [Mr. JOHNSON] is unavoidably absent.

The Senator from New Hampshire [Mr. BRIDGES] and the Senator from Kansas [Mr. REED] would vote "yea" if present.

The Senator from California [Mr. JOHNSON], who would vote "nay," is paired with the Senator from North Carolina [Mr. BAILEY], who would vote "yea."

The Senator from Idaho [Mr. THOMAS] would vote "nay" if present.

The result was announced—yeas 61, nays 16, as follows:

YEAS—61

Aiken	Guffey	Murray
Andrews	Hatch	Myers
Austin	Hickenlooper	O'Mahoney
Ball	Hill	Radcliffe
Barkley	Hoey	Russell
Bilbo	Johnson, Colo.	Saltonstall
Briggs	Johnston, S. C.	Smith
Buck	Kilgore	Stewart
Burton	La Follette	Taylor
Byrd	Lucas	Thomas, Okla.
Capehart	McCarran	Tobey
Chandler	McClellan	Tunnell
Chavez	McFarland	Vandenberg
Cordon	McKellar	Wagner
Donnell	McMahon	Walsh
Downey	Magnuson	White
Eastland	Maybank	Wiley
Ellender	Mead	Willis
Ferguson	Mitchell	Young
Fulbright	Morse	
George	Murdock	

NAYS—16

Brooks	Hawkes	Robertson
Bushfield	Langer	Taft
Butler	Millikin	Wheeler
Capper	Moore	Wherry
Gurney	O'Daniel	
Hart	Revercomb	

NOT VOTING—18

Bailey	Glass	Reed
Bankhead	Green	Shipstead
Brewster	Hayden	Thomas, Idaho
Bridges	Johnson, Calif.	Thomas, Utah
Connally	Overton	Tydings
Gerry	Pepper	Wilson

So the bill (H. R. 3314) was passed.

ESTATE OF JAMES ARTHUR WILSON—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 592) for the relief of the Estate of James Arthur Wilson, deceased, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House, and agree to the same with an amendment as follows: In lieu of the figures, to wit, $7,000, inserted by the House, insert the figures "$6,000"; and the House agree to the same.

ALLEN J. ELLENDER,
KENNETH S. WHERRY,
JAMES M. TUNNELL,
Managers on the Part of the Senate.

DAN R. MCGEHEE,
CLIFFORD P. CASE,
Managers on the Part of the House.

Mr. WHITE. Is that a claim bill?

Mr. ELLENDER. It is.

The PRESIDENT pro tempore. The question is on agreeing to the conference report.

The report was agreed to.

THE OREGON LAMB PROBLEM—WASTAGE IN FOOD MARKETING

(On request of Mr. MORSE, and by unanimous consent, the following remarks by him were ordered to be printed at this point in the RECORD:)

Mr. MORSE. Mr. President, I wish to speak on a domestic problem. I ask to have my remarks on this domestic problem placed in the RECORD at the conclusion of the debate on Bretton Woods.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. FULBRIGHT. I wonder if by any chance the Senator is about to tell us something about Oregon lambs? [Laughter.]

Mr. MORSE. I shall not disappoint the Senator from Arkansas. That is exactly what I am going to talk about. I hope he will help me get some action from the administration in regard to the problem.

The PRESIDING OFFICER. The Senator from Oregon requests that his remarks on the domestic problem be placed in the RECORD after the discussion on Bretton Woods.

Mr. MORSE. After today's discussion on Bretton Woods.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MORSE. I have a little sense of continuity, Mr. President, and that is why I want my remarks placed at the end of the Bretton Woods debate. Also, I have some very deep convictions as to the responsibility of the United States Senate to do more than it has done to date to stop food wastage in America, and hence I must again warn and caution the Senate that food wastage is taking place, and the Oregon lamb problem is but an example of it.

I should like to read a telegram which I received this morning from the Seattle Chamber of Commerce, in the home State of the present occupant of the chair [Mr. MAGNUSON].

SEATTLE, WASH., *July 18, 1945.*

Hon. WAYNE MORSE,
Senate Office Building, Washington, D. C.

To alleviate present shortage and provide meat for in-plant feeding and restaurants in Puget Sound and other critical labor areas, the Seattle Chamber of Commerce urges favorable consideration be given to lifting of OPA order and permitting Williamette Valley lambs to go to markets supplying these restaurants and feeding facilities. This would temporarily relieve meat situation as affected by OPA order of July 1 cutting point rations. Please continue to urge OPA to reinstate ration point values as they existed prior to July 1 for group 3 and 4 restaurants investigated recently by Mr. Boyle of OPA.

SEATTLE CHAMBER OF COMMERCE.

Mr. President, we see from the telegram from the Seattle Chamber of Commerce that exactly the same problem exists in Seattle, Wash., in regard to restaurants as exists in the great war port of Portland.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. MORSE. I am glad to yield to the Senator from Michigan.

Mr. FERGUSON. The Senator from Oregon is speaking on the question of OPA bungling. I should like to read into the RECORD at this time a small item from a letter which I received from a firm of wholesale drygoods dealers in Detroit.

Mr. MORSE. I shall be very happy to have the Senator do so.

Mr. FERGUSON. The letter reads in part, as follows:

The scarcity of essential textile items becomes steadily more acute. At present, it is only a laughing matter that men in Detroit are buying ladies' panties for their own use because of the shortage of men's shorts, but when colder weather rolls around and warmer underwear is not available for

children and outdoor workers, the howls will be terrific.

So the OPA headquarters may expect something after the weather becomes cold in Detroit.

Mr. MORSE. Let me say to the distinguished junior Senator from Michigan that he is perfectly welcome to take care of his Michigan problem on underwear. I am going to stick to Oregon lambs. [Laughter.]

Let me tell the Senator about the restaurant situation in Seattle and Portland, two great war ports, where many thousands of war workers are building ships for the successful prosecution of the war in the Pacific. The reports we are receiving from Seattle and Portland show that restaurant after restaurant is being shut down because it cannot get the necessary points with which to buy food to feed the consumers. We are receiving communications from chambers of commerce and from laborers, inquiring as to what this administration thinks these workers are going to eat if the restaurants are not kept open to feed them.

I think it is a pretty sad state of affairs if we have reached the point where bureaucratic stubbornness is making it impossible for the war centers of this country to keep open the restaurants necessary to supply the workers with food. I do not know of any problem facing the United States Senate that could be more critical.

Mr. President, as I stated yesterday, I am at a loss to understand why the administration forces in the United States Senate are not getting behind this problem and giving to me the support which is necessary to solve it. I am satisfied that if a dozen Democratic Senators were to join in this fight, as they should, headed by the leadership of the Democratic Party in the Senate, this problem would be solved in a hurry. I place that responsibility on the Democratic Party today. I invite its members to join with me in seeking to solve the food shortage and wastage problem in the States of Oregon, Washington, and California. I invite them to join with me in trying to open the restaurants of those areas, which can be easily opened if OPA is required to make the necessary changes in its regulations. I also invite them to join with me in trying to stop the wastage of lambs so sorely needed in the three States where these soft lambs are produced.

Mr. MAGNUSON. Mr. President, will the Senator yield?

The PRESIDENT pro tempore. Does the Senator from Oregon yield to the Senator from Washington?

Mr. MORSE. I yield.

Mr. MAGNUSON. I am sure that the Senator does not mean to imply that the Senator from Washington has not made numerous trips to the OPA regarding the restaurant situation in the city of Seattle and other ports, including ports on the Columbia River.

Seriously, I wish to ask the Senator from Oregon whether or not the authority to change the regulations of which the Senator from Oregon complains—and in many instances I join with him—rests with the OPA in Washington, or whether that authority has been delegated to the regional office in Seattle or Portland? I am not now speaking about lambs; I am speaking about restaurants.

Mr. MORSE. I understand. First let me say to the Senator from Washington that I do not know how any Senator could receive finer cooperation than the junior Senator from Oregon has received from the senior Senator from Washington, not only with regard to OPA problems, but with regard to all problems of mutual interest to the two great States of Oregon and Washington. So my criticism directed to the Democratic Party is not directed to the Senator from Washington as an individual; but I repeat that if the Senator from Washington and other Democratic Senators, including the great senior Senator from the State of New York [Mr. WAGNER], whom I now see in the Chamber, and who is chairman of the committee that has failed to act upon my resolution would get behind the resolution which I have introduced, which calls for the creation of a special committee of the Senate to maintain a constant watchdog vigilance over OPA, we would get action.

Let me say to the senior Senator from Washington that the trouble is with the type of procedure he has described. He has gone to the OPA. I have gone to the OPA. Other individual Senators have gone to the OPA. We can never obtain action from those bureaucrats in that way. But if the United States Senate were to create a committee with full investigatory power to put those fellows on the carpet and run the vacuum cleaner over them a few times to get the dust and bugs out of them, we would find that we would get action.

Now as to the Senator's question. It is my understanding that the Washington office of OPA could solve the restaurant problem if it cared to. I think it is true that considerable authority has been delegated to regional offices in regard to it but apparently not enough to solve the problem. However, whoever in OPA is responsible for it, I say that OPA should proceed without delay to open those restaurants. It is inexcusable for OPA to close the channels of food for consumers that are dependent upon restaurants.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. WHEELER. I may say to the Senator from Oregon that the Committee on Agriculture and Forestry appointed a subcommittee, and I happened to be a member of it. We went into the meat situation. We thought we gave it a fairly good going-over, and that we showed up a number of things which were happening. I am frank to say that we received very little assistance from the OPA, and we obtained very few results as a consequence of our investigation. Frankly, I felt that what the OPA needed was a housecleaning. I still think I am correct in believing that the OPA needs a housecleaning from top to bottom.

Mr. MORSE. I entirely agree with the senior Senator from Montana, and I am glad to have that statement from him. I shall appreciate his support of my resolution, because I think the adoption of my resolution is the parliamentary way of producing a housecleaning in the OPA. Of course, I am sure it is not necessary for me to tell the senior Senator from Montana that I would start first with Mr. Chester Bowles, and I would send him back to the advertising business.

Mr. LANGER. Mr. President, will the Senator yield to me?

Mr. MORSE. I yield.

Mr. LANGER. I wonder whether the Senator from Oregon has seen a dispatch by the Associated Press from Topeka, Kans., which reads as follows:

LACK OF MEAT AFFECTS HARVEST IN KANSAS

TOPEKA.—Nearly 2,500,000 bushels of standing wheat in one western county may go unharvested because of shortage of food ration points, Gov. Andrew Schoeppel was advised Monday.

Representative Clair Curry, of Greeley County, on the Kansas-Colorado border, telegraphed the Governor there was a lack of food in restaurants in the area and consequently harvest crews were passing on to other regions.

"The fellows are not stopping with their combines or trucks," Curry declared. "Some are returning home. The points have already been cut from eight to six per man per day. That amount will not feed a harvest hand."

Curry said at least 15 men told him they went to bed without supper Sunday night.

Governor Schoeppel contacted H. O. Davis, State OPA director, who said he was sending a rationing officer to the area to investigate and attempt an adjustment.

Curry complained that "we have plenty of meat available in the pastures and fields but cannot use it."

That bears out what the distinguished junior Senator from Oregon has said.

Mr. MORSE. Mr. President, I thank the Senator very much for this contribution. What he has said just illustrates the situation again, and is further evidence, that if the committee which I suggest is appointed by the Senate and goes to work, it can check the gross incompetence and maladministration on the part of the OPA.

Mr. President, this morning I received a telegram from a very substantial citizen of Oregon, Mr. Fred Hartung. In his telegram he states the following:

PORTLAND, OREG., *July 19, 1945.*

United States Senator WAYNE L. MORSE,
Washington, D. C.:

OPA have granted increased quota lambs to J. A. Robbins, my business partner. Unable to get all increased quota killed at Brander Meat Co., Portland. We have contract with State-inspected plant with available manpower in Vancouver, Wash., to kill 300 or more lambs weekly. Filing request OPA today for additional quota lambs to be slaughtered Kurth & Carlson, Vancouver plant. Source of supply will be Willamette Valley lambs now coming to market in increasing large numbers. Can you secure immediate action OPA on request for quota lambs to be killed at Kurth & Carlson for us?

FRED HARTUNG.

The telegram illustrates the need of greater use of one of the three remedies which the senior and junior Senators from Oregon have tried to convince this administration must be adopted if we are to prevent this food wastage. I refer to the removal or lifting of quotas on class 2 slaughterhouses. Let me say again that historically the bulk of these lambs

have been killed in the class 2 slaughterhouses. They have been consumed locally in Oregon, Washington, and northern California.

The Patman amendment was passed to accomplish that very purpose, and for the third day in a row I call upon the Secretary of Agriculture to put the Patman amendment into full force and effect. Until he does so, he will continue to open himself to the charge, not alone by the Senators from Oregon, but by the people in Oregon who are calling upon us about this problem, that apparently a play is being made in favor of the large packers in Portland. He should not be any party to a squeeze play upon the small farmers of the Willamette Valley, forcing them, as this flood of lambs increases, to dump their lambs in the Portland markets at such prices as Swift & Co. and the other federally inspected packing plants wish to pay. If the Secretary of Agriculture will exercise his full authority under the Patman amendment he will make a great step forward toward the solution of this problem and protect the farmers of my State from a big packers' monopoly.

Now let me call the attention of the Senate to a telegram which I received this morning from E. L. Potter, of the livestock division of Oregon State College.

Mr. MAGNUSON. Mr. President, I wonder if the Senator will yield to me before he reads the telegram.

Mr. MORSE. I am glad to yield to the Senator from Washington.

Mr. MAGNUSON. Has the Senator from Oregon inquired of the Secretary of Agriculture regarding this matter? If so, what was his reply? I am familiar with the Patman amendment, of course.

Mr. MORSE. I was about to come to that point. The junior and senior Senators from Oregon had a conference with the Secretary of Agriculture.

Mr. MAGNUSON. Of course, sometimes the Cabinet officers do not read the CONGRESSIONAL RECORD every morning.

Mr. MORSE. I am a little suspicious that they have been reading the RECORD regarding this matter. The junior and senior Senators from Oregon had a conference with the Secretary of Agriculture; we laid this problem squarely before him. We told him the importance of having him exercise his authority under the Patman amendment. We pointed out the relationship of the class 2 slaughterers to this problem. He will have to speak for himself, but I will speak about the impression he left with me, namely, that he seemed to understand the problem thoroughly—so thoroughly, as I said yesterday on the floor of the Senate, that he telephoned the OPA and explained the situation and said he was willing to appoint a representative of the Department of Agriculture if the OPA would appoint someone to represent it, and would agree to send those two men out into the field and would agree to give them authority to solve this problem. He suggested that such representatives be chosen with the understanding that if they could not agree they would clear their disagreements through Washington.

So far as we have been able to ascertain that has not yet been done. Why? Because the Secretary of Agriculture apparently is relying upon some gross misinformation—I say it is misrepresentation—namely, that there is no lamb problem now because such lambs as have appeared at the Portland market have been purchased. Just think of that. That is the answer which apparently satisfies the Secretary of Agriculture. One must go out of Portland, down into the valley, if he is to see what is happening to the lambs involved in this problem. That is where the problem is. If the Secretary of Agriculture wishes to take the position that the lamb producers of Oregon cannot use the class 2 slaughter houses and cannot market these lambs as they have historically marketed them, but that they must be a party to this play in favor of the big packers, then in my judgment the Secretary of Agriculture is clearly wrong and must be subject to severe criticism.

Mr. President, the lambs cannot be handled in those Portland markets; they cannot begin to be handled there. The result is that the lambs simply are not being sent there and wastage is resulting.

Mr. REVERCOMB. Mr. President, will the Senator yield to me?

Mr. MORSE. I yield.

Mr. REVERCOMB. I am very much interested in the statement just made by the able junior Senator from Oregon to the effect that the Secretary of Agriculture indicated that he would appoint a representative if the OPA would appoint one, and would send them to the State of Oregon with authority to work out a solution of the problem in that State. Why does the Secretary of Agriculture wish to consult with the OPA under the Patman amendment? As I understand the Patman amendment, in the first instance if the Secretary of Agriculture find that a wrong has been done under the rules and operations and practices of the OPA, he has a right on his own initiative to make a correction. I am particularly interested in the matter of the issuance of class 2 permits for slaughterers—not so much with regard to the question of Oregon lambs, but I, too, have taken up this subject with the Secretary of Agriculture with particular reference to the slaughtering of meat in my own State of West Virginia.

In West Virginia there are cattle in the fields which have been locally raised, and which the local residents are not allowed to use. Yet, they are in need of meat throughout the coalfields and the agricultural sections. As I understand, when a wrong is done, or particularly a hardship has been worked as a result of the enforcement of a rule of the OPA, the Secretary of Agriculture has the right and authority, under the Patman amendment to grant relief. I think the Secretary of Agriculture should exercise that right and authority. He should not stand back and say in effect, "If the OPA will do thus and so I will do thus and so."

I join the distinguished Senator from Oregon in presenting this problem. He has presented the Oregon-lamb problem, and I, for my State, present the cattle problem. The people who are living in our respective sections of the country are entitled to meat. The Government, through its official agencies, should put an end to shutting off the supply of meat to the people of the country when the meat is available.

Mr. MORSE. I thank the Senator from West Virginia, and welcome him into the fraternity for OPA reform.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. WHERRY. I should like to state that the problem of beef and lambs is not restricted to Oregon or to West Virginia. We are suffering similar experiences throughout the Middle Western States. I think the OPA is absolutely responsible for the conditions which exist.

I am glad that the junior Senator from Oregon has brought the lamb problem to the attention of the Senate. I am also glad that the Senator from West Virginia has told us about the meat problem which exists in his State. I hope that all Senators from States which are being confronted with meat problems will continue to bring the matter to the attention of the Senate. I think that a committee should be appointed under the resolution which was submitted by the Senator from Oregon. I thought that resolution had been submitted also on my behalf.

Mr. MORSE. As a sponsor.

Mr. President, I appreciate the support of the Senator from Nebraska. I hope that the distinguished Senator from New York who is chairman of the committee before which my resolution is now resting will recognize that I am getting votes one by one in support of the resolution to appoint a special committee to investigate the OPA. I hope the Senator from New York will assist me in getting the resolution out of committee and onto the floor of the Senate.

I return to the consideration of a telegram which I received from Mr. E. L. Potter. I was about to tell the Senate Mr. Potter's qualifications for expressing a view in connection with this subject. He is a very able member of the livestock division of the Oregon State College. I know of no person who has a more practical and expert understanding of this problem. He is a recognized authority on livestock marketing problems. He has been one of the most ardent workers in cooperating with the various governmental agencies in an attempt to work out a solution of this problem. He offered his cooperation to the OPA in order to see if some program could not be worked out which would be satisfactory to the processors and to the producers. He sent me the following telegram:

McDannell Brown——

He is the head of the OPA in Portland—

this morning over the radio denies existence of lamb problem thereby reversing previous position and declaring war on producers. Our work so far total loss.

I do not have to tell the Senate what happened. The head offices in Wash-

ington must save face. They are now relying on the rationalization that lambs having been purchased in Portland as they appeared on the market there at the big packers prices there is no lamb problem in Oregon.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. MORSE. I yield to my distinguished colleague.

Mr. CORDON. Mr. President, since my distinguished colleague took the floor in further discussion of this question I have been in a long telephonic conversation with the director of agriculture of the State of Oregon. I asked him particularly whether the lamb problem in that State has ceased to be critical. I was advised by him that it is not less but more critical, that the peak of the lamb production will be reached within the next 10 days, and that the loss to the producers will increase as the peak is reached, and thereafter.

The director of agriculture of Oregon is a gentleman who is known to the Secretary of Agriculture of the United States, who has said that he has the greatest confidence in the knowledge and ability of Mr. Peterson. So I think we may accept the latter's statement at full value.

Mr. Peterson further advised me—I desire this information to be known to my distinguished colleague because it came to me since he started discussing the matter from the floor of the Senate today—that he has contacted the Army procurement authorities in Seattle; that the Army advises that it is not only willing to purchase Oregon lamb to the limit and down to utility grade but that it is anxious to make such a purchase; that it is now using reserve stocks, but cannot make any purchase except of federally inspected carcasses.

In the State of Oregon there are 8 slaughterers having Federal inspection and approximately 200 class 2 slaughterers having State inspection. The Army is limited to the output of 8 slaughterers in the State of Oregon. Those slaughterers cannot supply the demands of the Army. That outlet is closed to the producers.

Mr. President, allow me also to call my colleague's attention to the fact that Mr. Peterson again reiterates that there are but two fully adequate answers to this problem:

First. To permit the Army to purchase from class 2 slaughterers and under adequate State inspection lambs down to utility grade and increase slaughtering quotas.

Second. To remove the points from the soft lambs and permit the presently existing domestic consumption in that State to take up the slack which it will do immediately, and the problem will be solved.

Mr. MORSE. I thank my colleague very much for his statement.

Mr. President, yesterday I stated that the facts do not coincide with the statements being made by the Secretary of Agriculture and by OPA to the effect that there is no lamb problem in Oregon. I asked the Democratic side of the Senate to stand up and dispute the facts as the senior Senator and junior Senator from Oregon have presented them on this floor. I am at a loss to understand why we do not get action from the Democratic side of the aisle on this matter because my friends over there admit that I am right in this fight. In view of the face-saving propaganda now being put out by the Government agencies that there is no lamb problem, we felt, of course, that it was necessary for us to make a new check of the present conditions. The distinguished senior Senator from Oregon has just reported the facts given to him by the Director and chairman of the Oregon State Department of Agriculture who, incidentally, is the man, as I pointed out on the floor of the Senate yesterday, whom the United States Secretary of Agriculture said he would be perfectly willing to appoint as his representative in Oregon to solve the problem.

I say to the Secretary of Agriculture that had he appointed him, he would have received the advice that very able representative just gave to the senior Senator from Oregon. It would have been advice absolutely contrary to the procedures and policies the Secretary of Agriculture has followed up to this hour in regard to this problem.

Mr. President, I talked this morning over the telephone with the editor of the Oregonian, Mr. Palmer Hoyt, and to the editor of the Portland Journal, Mr. Don Sterling. They both verified the fact that the lamb situation in Oregon is critical.

I do not know what more we have to do with this administration in order to get a problem across to them. I do not know what proof they want. I do know that if they continue to sit back here 3,000 miles away from a tremendous food wastage out in the Willamette Valley, and do not do anything about it, they are guilty of a great public disservice.

Therefore I again invite the Democratic side of the Senate to assist us in this situation, because apparently on the Republican side all we can do is present the facts and hope and pray that the Democratic side will assume its responsibility of being a majority party, and take through the necessary administrative channels the facts we present, and get an injustice corrected.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. LANGER. I still do not know the difference between Oregon lambs and other kinds of lambs. They both eat grass, and they both grow the same. Why should the OPA make one set of regulations for Oregon lambs and another set for North Dakota lambs, for example.

Mr. MORSE. I shall be very glad to take the Senator through the problem. I have explained it before on the floor of the Senate, but I certainly want the Senator from North Dakota, coming from a great agricultural State, to understand the situation.

Oregon, southern Washington, and north coast California lambs are what are called soft lambs. Because of climatic conditions, the early grass we have out there, and the great amount of moisture, we have developed a quality of lamb that is known as the soft lamb, in that it cannot stand shipment. It is a milk-fed lamb. When these lambs are put into boxcars and shipped the distance from Portland to San Francisco, there not only is such great loss in shrinkage that their shipment becomes unprofitable, but there is a great mortality rate.

Mr. LANGER. By milk-fed lamb, the Senator means one that is not weaned by the ewe?

Mr. MORSE. They stay with the ewes longer than lambs raised elsewhere. The feed is such as to cause the ewes to carry a good milk supply for a longer period of time. Hence, the lambs are fattened on their mothers' milk.

Mr. LANGER. What age are they when they are sold, or about what is their weight?

Mr. MORSE. They weigh from 50 to 80 pounds. They are large lambs, but they are what are called high-shrinkage lambs. When we were before the Director of Economic Stabilization a few days ago, Mr. Vaughn, of Dixon, Calif., who is now one of the big sheepmen in that section of the country, and the purchaser of large numbers of lambs, told of an experience in his early buying days, a rather costly experience. He said that when he found it possible to get these Oregon lambs he once bought many of them and shipped them a rather long distance to his feeding lot. About a third of them died either in shipment or within a few days after shipment. They just cannot stand shipment. As I have said, the shrinkage is so great when they are shipped that they become unprofitable, so far as shipment is concerned.

What has happened historically, as I have tried to make clear, is that those lambs have been slaughtered in our local markets and have been consumed locally.

Mr. President, I have just one more word. I think we should have in the RECORD an interesting letter I received this morning from Burnt Woods, Oreg. It gives an example of a little different type of food wastage, so far as livestock is concerned—wastage which results from failure to permit the marketing of livestock when it is fat and ready. The writer of this letter says:

> Today I turned back on the range last year's wether lambs. They are fat now, but the grass is drying up. These lambs will be for sale next year about June 15. The butcher shops are empty. The people need the meat. The administration has given the Government-inspected plants a monopoly on the meat supply.

Mr. President, that is the feeling which exists throughout the Willamette Valley, namely, that this administration is playing with the big packers and forcing these farmers to sell such lambs as the big packers will accept in the Portland market and at the packers' prices. The letter continues:

> It is against the law for me to butcher and ship my own livestock. This used to be a free country, but it is a long ways from it today.

Well, Mr. President, this shows his attitude, and his attitude is typical. I am afraid that if those farmers are not given relief they are rightly going to hold this administration responsible for the great injustice that is being done them.

I close by referring again to my telephone conversation with Mr. Don Sterling, editor of the Portland Journal, a great Democratic newspaper. He urged me to try to make clear to people back here in Government that we have little meat in our butcher shops; that many of our restaurants are closed down; that we cannot even feed, to the degree they should be fed, the war workers in the great city of Portland.

I hope this will be the last time I shall have to speak on this subject, because I just cannot believe, with this reiteration, this mounting of fact upon fact, this presenting to the administration over and over again the operative facts of this very critical problem, that we cannot get some relief. But if by tomorrow afternoon we do not have the relief, I shall again press this subject upon the attention of the Senate, and I shall again urge that the Senate proceed to take the steps the country has the right to expect from it, namely, to adopt the resolution which the Senator from Nebraska [Mr. WHERRY] and I have offered, calling for the appointment of a committee to maintain a constant watch over OPA. I think such a committee is necessary if we are to clean house in OPA. Unless we clean house in OPA, I am satisfied Americans are going to suffer more and more from a maladministration of their food supply.

Mr. LANGER. Mr. President, will the Senator yield further?

Mr. MORSE. I am glad to yield.

Mr. LANGER. I received a petition, and I wonder if it pictures the situation the Senator faces in his State, as it is in my State. The petition is addressed to the Senators and Representatives in Congress from the State of North Dakota, including also the distinguished junior Senator from North Dakota [Mr. YOUNG] and myself. The petition reads:

We, the undersigned farmers and residents of the vicinity and community of Zeeland, McIntosh County, N. Dak., respectfully petition you as follows:

I might add that Zeeland is a little town of about 150 people. This is their complaint:

That whereas it has come to our attention that there is at present only one butcher in the village of Zeeland, N. Dak., having a so-called slaughtering permit issued by the OPA or whatever organization claims to have the right to issue such permits; and

Whereas said butcher has as his butcher shop equipment only one small meat counter equipped with refrigerating apparatus; and

Whereas one Mr. Frank Wolf, of Zeeland, N. Dak., at the request of many of us, has installed a food locker system in said village, and is otherwise equipped to handle fresh meats and other items usually sold in butcher shops; and

Whereas we have been informed that the persons claiming to have authority to license meat slaughterers have refused to issue to the said Mr. Frank Wolf a permit to engage in meat slaughtering under OPA regulations, although he is qualified under all State, county, and local regulations;

We, the undersigned, therefore request that you, as our Senators and Representatives in Congress, investigate the reasons why such a limit has been placed on slaughtering permits in this vicinity and especially in the case of Mr. Wolf;

And we further petition that if possible such a permit be issued to Mr. Wolf inasmuch as present meat and butcher situation in the village of Zeeland, N. Dak., is intolerable.

My distinguished colleague the junior Senator from North Dakota [Mr. YOUNG] and I after counting the names on the petition found that it includes the entire community. Inasmuch as the distinguished Senator from Oregon is an expert on the matter of OPA——

Mr. MORSE. Oh, no. I deny that, Mr. President. No one could be an expert on that organization.

Mr. LANGER. I should judge, after listening to the Senator for so many, many hours and many days that if anyone should qualify as an expert——

Mr. MORSE. I know a good deal about it, but we need a committee with power to find out all about it.

Mr. LANGER. I am satisfied the distinguished Senator from Oregon knows a great deal about OPA. The junior Senator from North Dakota and I want to do something for Zeeland. We want to do something for Mr. Wolf. We want to do something for the people who signed the petition, by way of getting them meat. We would like very much to have the Senator's advice, in view of the fact that men and women have petitioned to Congress, as they have a right to do.

Mr. MORSE. My advice is: two more votes for my resolution from the two Senators from North Dakota. Let the Senate give me that committee and we will get action from the OPA and correct the injustices which are now rampant.

Mr. President, as I take my seat today I at least have this encouraging feeling, and that is that some of the Democratic Senators who continue to talk to me in the cloakrooms and tell me I am right about this are beginning to scratch their heads in an effort to determine whether perhaps they ought not to join our fraternity, the membership of which is open to all United States Senators—the fraternity for OPA reform.

TAX-ADJUSTMENT BILL OF 1945

Mr. GEORGE. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 457, House bill 3633.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 3633) to facilitate reconversion, and for other purposes, which had been reported from the Committee on Finance with an amendment.

Mr. GEORGE. Mr. President, I ask unanimous consent that the formal reading of the bill be dispensed with, that it be read for amendment, and that the committee amendment be first considered.

The PRESIDENT pro tempore. Without objection, it is so ordered. The clerk will state the committee amendment.

The amendment was, on page 18, after line 14, to strike out:

(d) Section 122 (b) of the Internal Revenue Code is amended by inserting at the end thereof a new paragraph, reading as follows:

"(3) Operating loss of certain successor and predecessor railroad corporations: If a railroad corporation, as defined in section 77m of the National Bankruptcy Act, as amended, acquires property from one or more other railroad corporations, as so defined, in a receivership proceeding, or in a proceeding under section 77 of the National Bankruptcy Act, as amended, and if the basis of the property so acquired is determined under section 113 (a) (20), such corporations shall, for the purposes of this section, be deemed to be the same taxpayer."

(e) The amendment made by subsection (d) shall be applicable to taxable years beginning after December 31, 1941. In the case of taxable years beginning prior to January 1, 1942, and after December 31, 1938, provisions having the effect of such amendment shall be deemed to be included in the revenue laws respectively applicable to such taxable years.

(f) Section 710 (c) (3) of the Internal Revenue Code is amended by inserting at the end thereof a new subparagraph, reading as follows:

"(C) Unused excess-profits credit of certain successor and predecessor railroad corporations: If a railroad corporation, as defined in section 77m of the National Bankruptcy Act, as amended, acquires property frome one or more other railroad corporations, as so defined, in a receivership proceeding, or in a proceeding under section 77 of the National Bankruptcy Act, as amended, and if the basis of the property so acquired is determined under section 113 (a) (20), such corporations shall, for the purposes of this section, be deemed to be the same taxpayer."

(g) The amendment made by subsection (F) shall be applicable to taxable years beginning after December 31, 1941. In the case of taxable years beginning prior to January 1, 1942, and after December 31, 1939, provisions having the effect of such amendment shall be deemed to be included in the revenue laws respectively applicable to such taxable years.

Mr. GURNEY. Mr. President, may we have an explanation of the amendment? I believe it is the amendment which provides in case of reorganization of a railroad that if the railroad in some way or other changes its corporate set-up it would not be entitled to the same consideration as if it retained its original set-up.

Mr. GEORGE. I propose to make a brief explanation. Before explaining the amendment which is the only one reported by the Senate Finance Committee to the bill, Mr. President, I think it would be well to make a brief statement concerning the bill.

The bill, which passed the House recently, is intended to facilitate reconversion in the interim period before the final end of the war. It does not and is not intended to provide tax relief which will be needed in the transition and the postwar period.

The bill, as amended by the Finance Committee, provides for only those recommendations which were made by the Joint Committee on Internal Revenue Taxation for Postwar Taxation. This is a nonpartisan committee composed of equal representation from both parties and consists of six members from the Finance Committee and an equal number from the House Ways and Means Committee. This committee has for over a year been conducting studies in taxation preparatory to making recommendations for a postwar tax structure.

This bill is the culmination of the work of the joint committee relating to the interim period. The joint committee is continuing its studies and later will make further recommendations relating to the transition and postwar period.

The Finance Committee made only one amendment to the bill as passed by the House. It adopted an amendment striking out a House provision providing special relief for reorganized railroads. This provision deals with the treatment of reorganized railroads with regard to carry-overs from, and carry-backs to the old corporations. This is a technical provision which your committee did not believe was germane to the purpose of the bill, and provides for a change in tax liabilities of railroads which would result in a definite revenue loss to the Government. This provision was not in the recommendations to which the joint committee unanimously agreed and the Finance Committee believed it should have further study and a hearing before final action is taken on this subject. Accordingly, the Finance Committee eliminated this provision without prejudice to its future consideration.

The purpose of this bill is twofold: to improve the cash position of businesses facing the necessity of reconversion expenditures, and to provide incentive to small business to enter peacetime production during or by 1946. The first of these is provided for by speeding up refunds and credits; the second, by increasing the excess-profits tax exemption to $25,000 for 1946.

Specifically, the bill as amended provides as follows:

First. The excess-profits tax specific exemption is increased from $10,000 to $25,000, effective for 1946 and subsequent years. A pro rata portion of the increase in exemption is provided for corporations with fiscal years beginning in 1945 and ending in 1946. Existing law provides that no excess-profits tax return is required if the excess-profits net income is not more than $10,000; the bill increases the limitation to accord with the increase in the specific exemption. The increase in the specific exemption will result in a net revenue loss in 1946 of $160,000,000, and will relieve some 12,000 corporations from paying excess-profits taxes. Almost all of these are small corporations, upon which the excess-profits is especially burdensome. The maximum tax benefit to any corporation under this provision is $6,825.

Before leaving that particular subject, Mr. President, I should say that the increase in the specific exemption from $10,000 to $25,000 will result in a gross loss in revenue from the excess-profits tax of approximately $300,000,000, but their taxable incomes, for normal and surtax purposes, will be increased, and the actual net loss to the Treasury for taxable years ending in 1946 will be only $160,000,000. That is the only actual out-of-Treasury cost not now provided by law that the bill will entail.

Second. The bill provides that instead of paying a 95 percent excess-profits tax with a 10 percent postwar credit, a corporation in effect will pay an 85½ percent excess-profits tax with no postwar credit. This is provided by permitting corporations to take their 10 percent postwar credit currently for 1944 and subsequent years instead of in the form of bonds which mature over a period of several years after the war, as provided by present law. By making this postwar credit available currently, the cash position of business will be improved by not collecting from corporate taxpayers approximately $1,500,000,000 in 1945 and 1946, which they would otherwise pay and not receive back until several years after the war. About $830,000,000 of this amount is for 1945 and about $710,000,000 for 1946.

Third. Corporations which have outstanding postwar refund bonds issued with respect to 1942 and 1943 liabilities will be able at their option to cash these bonds on or after January 1, 1946, instead of waiting 2 to 4 years following the end of the war. The total amount of outstanding bonds issued with respect to 1942 and 1943 liabilities is estimated at about one and one-third billion dollars.

Fourth. The bill provides for the speed-up of refunds resulting from carry-backs of net operating losses and of unused excess-profits credits. So far as the net loss carry-back is concerned, it will apply to individuals in business, as well as corporations, and will afford relief not only from the excess-profits tax, but also from the income tax. The bill provides for the prompt payment of refunds resulting from carry-backs by permitting the use of either of two procedures. The taxpayer may request that current tax payments to the exent of the refund arising from an esimated carry-back be deferred, or if he waits until the end of the year in which the carry-back arises he may request that he be given a tentative refund within 90 days. The effect of the tax deferment provision on an estimated net operating loss can be illustrated as follows:

Suppose a corporation estimates that it will incur a net loss for the calendar year 1945, which will result in an overpayment of $100,000 with respect to prior years' taxes. Assume further that the third installment of its tax for 1944 which is due on September 15, 1945, amounts to $100,000. The corporation may, under the provisions contained in this bill, defer $50,000 of this installment and $50,000 of the December 15 installment and utilize the $100,000 for reconversion purposes. If the corporation had waited until after the end of 1945 before filing the refund claim, either because it was uncertain of the size of the loss or because it had no taxes to pay in 1945, it could file a claim for the $100,000 and receive a tentative refund within 90 days. It is this provision which is also available to individuals in business.

The amount of the refunds resulting from the operation of these carry-backs will depend largely upon the future pattern of business earnings, and for this reason is difficult to forecast. It has been estimated, however, that the amount of refunds resulting from losses and unused credits for 1945 and 1946 would amount to perhaps $1,000,000,000

Fifth. Refunds arising from the recomputation of amortization deductions on emergency facilities certified to be no longer necessary for national defense, would become available under this bill within 90 days after filing the claims. This provision will help individuals in business, as well as corporations, and will apply to income taxes as well as to excess-profits taxes. For example, assume a corporation owning emergency facilities for which a certificate of nonnecessity has been granted files a claim and is entitled to a refund of $50,000. Under existing law, the $50,000 might not be refunded to the corporation for a year or two. Under the provisions of this bill the corporation may file an application for a tentative refund and receive payment within 90 days. It has been estimated that the refunds speeded up by this provision will amount to approximately $1,750,000,000.

It will be recalled that provision was made in the 1942 act for the speeding up of the amortization of the cost of facilities constructed under certain conditions for war purposes, or for national defense purposes. As we then wrote the law, amortization through a 5-year period was provided, but it was likewise provided that in the event of the ending of the war before 5 years, the amortization might be recomputed over the shorter period if a certificate of nonnecessity had been issued. So the provision in this bill makes possible the payment of refunds arising from the recomputation of the amortization of national defense facilities within 90 days.

In summarizing the effect of this bill on receipts of the Government, I should like to emphasize that with the exception of the increase in the specific exemption, resulting in a revenue loss of $160,000,000, the provisions of this bill do not reduce the ultimate revenue which will be received by the Federal Government. They merely speed up the payment of money which the taxpayers are entitled to under existing law, but which would not be available in many cases soon enough to aid in reconversion. The speed-up of refunds and credits provided for in this bill would improve the cash position of business in the next 2 years by adding approximately $5,500,000,000 to their cash balances. All of this represents money which taxpayers are entitled to under present law, but unless this bill is enacted, this money will not be available to them until several years later. The details of this estimate are shown in the following table:

Cash which would be made promptly available to business, as a result of the speed-up of refunds and credits as proposed in this bill

[In millions of dollars]

1. Current availability of postwar credit in 1945	830
2. Current availability of postwar credit in 1946	710
3. Refund of outstanding postwar bonds, 1946	1,300
4. Speed-up refunds due to recomputations of amortization deductions, 1945 and 1946	1,700
5. Speed-up refunds resulting from the carry-back of net operating losses and unused excess-profits credit, 1945 and 1946	1,000
Total amount of refunds and credits	5,540

Prompt enactment of this bill is necessary if taxpayers are to take full advantage, this year, of the provisions for speeding-up refunds and credits. Only with the immediate enactment of this bill will it be possible for businesses anticipating losses or unused excess-profits credits for 1945 to defer payment of the September 15 installment of their 1944 tax liabilities. Similar situations exist in the case of 1944 postwar credits and refunds arising from the recomputation of amortization deductions on emergency facilities. Businessmen are now planning for reconversion to peacetime operations. Delay in the enactment of this bill would continue the present uncertainty and thus make planning more difficult. Also, it is believed that the early enactment of this bill would be interpreted as an indication of the desire of Congress to encourage timely reconversion and business expansion.

Mr. President, that substantially covers the scope of the bill, but I should like to make one further observation.

The bill was worked out, as I have stated, by the Joint Committee on Internal Revenue Taxation. Participating with the Joint Committee were, of course, its own staff, the Treasury staff, and the staff of the Bureau of Internal Revenue. Five points in connection with the so-called interim bill, the bill now before the Senate, were agreed upon, so all the provisions contained in this bill, after the elimination of the amendment to which attention has already been directed, had been approved by the Senate Finance Committee.

The real purpose of this bill is not to affect the ultimate liability of any taxpayer, but to make funds presently available to improve and strengthen the cash position of individuals and corporations engaged in business during the reconversion period. Businessmen are now attempting to reconvert as fast as they can secure releases of materials and as fast as necessary manpower can be obtained. In order to reconvert they must necessarily plan. In order to plan, there must be some certainty about when they will be able to receive what is already provided in existing law by way of refunds or other relief. The only change in ultimate tax liability is in the case of the increase in the specific exemption, for excess-profits tax purposes from $10,000 to $25,000.

Permit me to say that consideration was given to an increase of the exemption beyond $25,000. Many members of the committee had also given careful consideration to the application of this particular provision of the bill to 1945 as well as 1946.

Mr. BUCK. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. BUCK. Of course, there was objection to that, or it would have been done.

Mr. GEORGE. Yes; there were objections to it.

Mr. BUCK. Will the Senator state what they were, please?

Mr. GEORGE. I shall be happy to do so, and I shall do so as briefly as I can.

The first and primary objection was on the basis of revenue loss. The revenue loss for 1945, if the increase in specific exemption were made applicable to 1945, would amount to $235,000,000. This should be compared with the revenue loss for 1946 which amounts to $160,000,000. Thus, there will be a loss over the 2 years of approximately $400,000,000. The committee reached the conclusion that it would not be wise to reduce revenues by taking out of the Treasury $400,000,000 at this time, in view of the tremendous financial burdens now resting upon the Government.

For the taxable year 1943, when the specific exemption was $5,000, 68,000 corporations filed returns showing excess-profits-tax liability. For 1944, when the exemption was increased to $10,000, the number of corporations liable for excess-profits taxes was reduced to a total of 51,000, making a reduction of 17,000. For the calendar year 1945 the number of corporations liable to excess-profits tax is estimated at approximately 45,000. For the calendar year 1946 it is estimated that under existing law the number of corporations liable to excess-profits tax will be 31,000. The bill, in increasing the specific exemption to $25,000, will reduce to 19,000 the number of corporations liable to excess-profits tax. Accordingly, the bill reduces by 12,000 the number of corporations liable for excess-profits tax. The relief granted by the bill is, therefore, considered to be ample to take care of the small corporation.

Mr. HART. Mr. President, will the Senator yield?

Mr. GEORGE. Mr. President, I should like to have the Senator permit me to proceed, because the reasons I am discussing are among those which persuaded the joint committee to vote to apply this provision of the bill to the period commencing after December 31 next.

The bill provides relief for fiscal years ending in 1946. If the change is made applicable to 1945, the 1945 fiscal years of some corporations have already been closed and in some instances full payment of the tax has been made. For example, a corporation with a fiscal year ending January 31, 1945, was required to file its return on April 15, 1945, one with a fiscal year ending the last day of February was required to file its return on May 15, and one with a fiscal year ending on March 31, was required to file its return on June 15. Furthermore, a corporation with a fiscal year ending April 30 should have filed its return on July 15, 1945. To apply the relief to 1945 would, therefore, result in an administrative burden on the Bureau resulting in some refunds.

During 1945, most small businesses will be engaged in war work or will be producing for abnormal war demands. Any increase in the specific exemption for 1945 would be unduly generous while production is still primarily geared to war needs and Government expenditures are continuing at their present high level.

Also, increasing the specific exemption for 1945 would result in substantial windfalls, because in some cases the excess-profits tax has entered into selling prices and has, therefore, been passed on to the consumer for a full one-half of the year 1945.

I think this particular reason was controlling on many Members: For the first part of the year 1945 we were engaged in war on two fronts. For at least the greater part of 1945, and probably during all of 1945, we will be engaged in war on one front. Therefore, it would seem unwise to make further increases in this exemption while the war is going on.

I ask Senators to give particular attention to the following statement: Under this amendment an established corporation with a capital of $500,000 could earn 13 percent in 1945 yet would pay no excess-profits tax; a corporation with $250,000 could earn 18 percent; and a $100,000 corporation could earn 33 percent. Therefore, in view of the purpose of this bill, it seems that we have dealt liberally with the smaller corporations. It must always be remembered that the excess-profits taxpayer is entitled not merely to the specific excess-profits exemption which now is being increased by this bill to $25,000 but to the excess-profits credit based either upon his invested capital or upon his prior earnings.

So, when the two are added, the vast majority of what might be called smaller corporations and smaller businessman will not be subject to escape excess-profits taxes after 1945. The primary purpose of the bill is not to affect the ultimate liability of the taxpayer, but to make presently available to the taxpayer the benefits already guaranteed him under the law, by moving up and expediting the payment of those benefits. This, be it always remembered, is to enable the American businessman to meet the problems of reconversion, to get his plant in order, to increase his production, and to do so as fast as the circumstances will permit. He could not claim any equitable right to the cancellation of the 1945 excess-profits tax liability by the increase in the excess-profits tax exemption, because the year is more than half over, and in most cases reconversion is only just starting.

So we were persuaded that with a deficit now running at the rate of approximately $45,000,000,000 a year, it would not be wise, nor particularly equitable, to apply the increased exemption against the 1945 taxes. No reduction was made in the taxes on individuals or on partnerships.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. AIKEN. A day or two ago I received a letter in which the writer made the statement that this bill granted relief to corporations which was not granted to individuals engaged in the same line of business. I have had no opportunity at all to look into the matter or discuss it with anyone. I ask the Senator from Georgia if there are any provisions in the bill which grant certain privileges, exemptions, or reliefs to corporations which are not granted to individuals engaged in the same line of business?

Mr. GEORGE. Individuals do not pay excess-profits taxes, and thus the same relief could not be applicable to the individual who is not liable to excess-profits taxes. But an individual engaged in business is given the same treatment with respect to the amortization of defense

facilities, and also for the net loss carry-over.

Mr. AIKEN. Then, in the Senator's opinion, there is no discrimination such as that to which I have referred?

Mr. GEORGE. No. Of course, the individual income-tax payer could, and perhaps would, complain that he had not been given tax reductions. But the only relief which we have given, which will affect the final and ultimate liability of the taxpayer, is in the case of smaller corporations with respect to the excess-profits tax.

Mr. AIKEN. I thank the Senator. I have no knowledge on the subject. I am merely seeking information.

Mr. GEORGE. I may say to the Senator from Vermont that the committee will continue its work in connection with individual tax relief. Excise taxes and other forms of taxes will also be studied.

Mr. HART. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. HART. With regard to the four stricken paragraphs in section 4, they being, as stated, outside the scope and purposes of the pending bill, will the Senator explain somewhat more fully why they are outside the scope of the bill?

Mr. GEORGE. The provision which I have already said was stricken without prejudice, and for the purpose of studying in the committee, did affect the tax liability of corporations. The committee was of the opinion that those paragraphs were not germane to any one of the points on which the joint committee had already agreed, in cooperation, as I have said with the Treasury, including the Bureau of Internal Revenue. Although the other House included the provisions to which the Senator is inferring in the bill, the Senate Finance Committee, by a divided vote, decided to eliminate them. The decision was controlled by the desire to study the question and conduct hearings on it inasmuch as it does affect the actual tax liability of the railroads, and inasmuch as it does actually involve the payment out of the Treasury of certain sums of money by way of refunds.

There are many aspects of the stricken provisions which need further study. Some of the important problems are:

First. The provision is limited to the reorganization of railroads in receivership or under section 77 of the National Bankruptcy Act. It provides no relief whatever for bus companies, steamship companies, and other corporations which also lose the benefit of carry-backs and carry-overs when a new corporation is organized.

Second. Of the 28 principal railroads which have been listed in reorganizations since 1939, 10 had left receivership by the middle of 1945. Of these 10, 2 reorganized under existing charters, and 1 changed its capital structure without reorganization. For reorganized companies to benefit from this legislation as it affects carry-overs, losses and unused credits must have arisen prior to reorganization, and such losses and unused credits must not have been fully absorbed against income of the old company prior to the completion of the reorganization.

Most railroads in receivership had unused credits or losses in 1940 and 1941. However, most of those losses and unused credits were absorbed by the end of 1943 or 1944. Therefore, only those railroads which were reorganized earlier in the war period would benefit from the retroactive aspect of the legislation.

It is estimated that five of the seven remaining companies which have been reorganized to date would receive tax benefits through 1944 from the carry-over adjustment amounting to approximately $8,500,000. Of this amount it is estimated that $6,000,000, or approximately 75 percent, will go to one road.

The carry-back adjustment will benefit only those companies with income or excess-profits taxes immediately prior to reorganization, and losses or unused credits immediately subsequent thereto.

The 9 companies completing reorganization by the end of 1944 would not benefit from the provision as related to carry-backs. The companies coming out of reorganization in 1945 could benefit only if they had unused credits in 1946 or in 1947, assuming retention of carry-backs through the latter year. If income in 1946 were to decrease 30 percent as compared with 1944, 3 of the 11 companies in the process of reorganization would benefit. Most of the other 5 paying excess-profits taxes in 1944 would not benefit unless earnings decreased at least 50 percent between these 2 years. The Government will actually lose $8,500,000 in revenue from the retroactive effects of these provisions—I refer to the provisions as they appeared in the House bill—which go back as far as 1939.

The only other provision in the House bill which loses Government revenues, as contrasted with moneys which ultimately would be paid to the taxpayer, is the provision to which I have already referred raising the excess-profits specific exemption from $10,000 to $25,000. However, the maximum net benefit to any one corporation through increasing the specific exemption to $25,000 is less than $7,000. Yet, under this railroad provision it is estimated that one corporation will receive a tax benefit of approximately $6,000,000. That is no reason why, if upon a study of the railroad provisions they are found to be just, they should not be adopted. But under the provisions as drawn in the House bill it appears that in computing the carry-overs the new railroad will get the benefit of some interest accruing to the old company, even though it will never be paid. This section is intended to take care of the new companies. If they organize under the old charter they have certain benefits in any event.

I doubt the equity—and this was the view of the committee—of allowing a deduction for accrued interest in computing the carry-overs when such interest has not and will not be paid. We could only ascertain the facts by a hearing, and by a further study of this particular amendment.

It is true that some of the railroads are required to get new charters under some State laws to carry out their plans for reorganization. This, however, is due to the fact, so far as I know, that the railroad company is not able to secure the consent of the stockholders of the old railroad, who are frozen out under the plan of reorganization. Hence the necessity of getting a new charter or forming a new company. In this respect the railroads are in the same predicament with bus companies, steamship companies, and many other corporations which are required to secure new charters.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. TAFT. However, the railroads which do reorganize are able to reorganize without a new corporation, and do the same thing to their stockholders under the laws of their States which might be done in forming a new corporation in other States.

Mr. GEORGE. That would be true, undoubtedly.

Mr. TAFT. It would be under section 77 of the Bankruptcy Act. A railroad reorganizing under State law does exactly the same thing to its stockholders and bondholders, which in some States can only be done by reorganizing and forming a new corporation, as I understand.

Mr. GEORGE. Yes; I think so; and I think in some States even the trustees can vote. I grant that what the Senator from Ohio says is true, but it has not quite the full application that this amendment in its broad terms would have.

It is said that the proposed legislation would put railroads which reorganize under a new charter on the same basis with railroads which reorganize under an old charter. That is the view that is expressed by the proponents of the amended provision, and, in a large and general sense, there is a great deal of truth in the statement. But the statement is not entirely accurate under this provision as it actually came to the Senate from the House.

A careful examination of the provisions of the amendment will reveal that it is only for the purpose of getting tax relief out of the carry-backs and carry-overs that the new railroad company is treated as the old corporation. For other purposes of taxation the new railroad receives benefits accruing to a new corporation. This might result in tipping the scales out of balance in favor of the new company if the railroad provision were permitted to remain in the bill.

Finally, the equities of granting this type of relief, particularly with reference to the carry-overs, need to be studied, for the following reasons: When the court, in its receivership proceeding, approved the plan of reorganization, it considered the value of the then properties with reference to the parties concerned. It may be possible that if the court had contemplated that the new corporation would receive the benefit of the carry-overs from the old railroad, some relief might have been accorded to some of the junior bondholders, or even stockholders, of the old railroad. Losses suffered by

the old corporation reduce its assets. The value of the claim of low-priority creditors and shareholders in the old corporation, and their participation in the new corporation, is reduced or eliminated. If such losses can be carried over and used to reduce losses of the new corporation, a windfall may result to the group not bearing the burden of the old taxes.

Mr. President, I wish to repeat that many members of the committee were of the opinion that this amendment is meritorious, at least in part, and we desired to study it, and desired also to gather certain information, which we could do only through a hearing, before we finally committed ourselves to the amendment. Those of us who voted to eliminate it, that is, a majority of the committee, although by a bare majority, I should say in fairness, were at pains to include in the report the statement that it was eliminated without prejudice, and for the purpose of study. Ample time is ahead of us to give the relief of this character, because this is a relief provision which affects the tax liability of the taxpayer, and there are hundreds of other instances arising under various circumstances which are also entitled to be considered. Those we eliminated, and we therefore felt that this single provision, which affected the liability of the taxpayer, although included by the House, should be eliminated from the bill, without prejudice.

Mr. MAYBANK. Mr. President——

Mr. GEORGE. If the Senator from South Carolina will permit, I should like to have inserted in the RECORD following my remarks a brief explanation of several provisions of the tax-adjustment bill.

The PRESIDENT pro tempore. Is there objection?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

SUMMARY EXPLANATION OF THE PROVISIONS OF THE TAX ADJUSTMENT BILL OF 1945

Section 2 increases the specific exemption for excess profits taxes from $10,000 to $25,000. The full increase applies to taxable years beginning after December 31, 1945, and the increase is prorated for fiscal years beginning in 1945 and ending in 1946.

Section 3 provides that for taxable years beginning after December 31, 1943, the postwar credit of 10 percent of the excess-profits tax shall be deducted in computing the tax currently payable; and that postwar refund bonds issued with respect to 1942 and 1943 tax liabilities shall be payable on or after January 1, 1946.

The principal effect of section 4 is to add two new sections, 3779 and 3780, to the Internal Revenue Code.

Section 3779 provides that payment of taxes for the preceding year may be deferred if a corporation expects that operations of the current year will result in a net operating loss or unused excess-profits credit that may be carried back to reduce taxes of a preceding year. For example, due to cancellation of contracts on July 1, 1945, a corporation may expect an unused excess profits credit which can be carried back to reduce the tax liability for 1943 by $100,000. It may then apply for an extension of time for payment of $50,000 of the installment of 1944 taxes due on September 15, 1945, and $50,000 of the installment due on December 15, 1945.

Section 3780 provides that after filing a return for the year of a net operating loss or an unused excess-profits credit, the taxpayer may file an application for the prompt adjustment of the tax liabilities for previous years affected by the carry-back of such a loss or unused credit. For example, when the corporation previously referred to files its returns for 1945 on or about March 15, 1946, the indicated carry-back may result in a reduction of the 1943 tax liability by $120,000. Under new section 3780 the Commissioner would apply $100,000 against the 1944 taxes, payment of which was deferred, and refund or credit the balance of $20,000 to the taxpayer within 90 days. An individual filing a return for 1945 or 1946 which shows a net operating loss from his business might similarly obtain a prompt refund of 1943 or 1944 taxes attributable to the carry-back of the net operating loss.

The provisions of the new sections of the code relate to losses or unused credits anticipated or arising in taxable years ending on or after September 30, 1945.

Section 5 relaxes certain restrictions upon the allowance of refunds or the assessment of deficiencies resulting from the carry-back of a net operating loss or unused excess-profits credit. The time for making such adjustments for a year to which such carry-back applies, say 1943, is extended to conform to the period during which such adjustments might be made for the year, say 1945, in which the carry-back arises.

Section 6 makes certain adjustments with respect to interest so that, in general, interest computations will not be necessary in the case of prompt refunds due to carry-backs, and so that interest charges in connection with tax adjustments due to carry-backs will be made on a comparable basis for the taxpayer and the Government.

Section 7 provides for the prompt refund or credit of overpayments of taxes of prior years due to the recomputation of deductions for amortization of emergency facilities. Ordinarily, the cost of an emergency facility supplied by the taxpayer may be amortized over a 5-year period. But this period will be shortened, with consequent larger amortization deductions and reduced taxes for prior years, if the facility is no longer necessary for national defense. Refunds attributable to such a shortened amortization period are to be made within 90 days after an application for a preaudit adjustment is filed.

Mr. MAYBANK. Mr. President, will the distinguished Senator from Georgia yield to me?

Mr. GEORGE. I yield.

Mr. MAYBANK. Some time last week I made a short statement in connection with the subject of the large number of aliens now present in this country, who were paying no taxes. They apparently are here on visitors' visas. Since that time I have been privileged to discuss the matter with many individuals, and also with the distinguished chairman of the Finance Committee.

Today there appeared an excellent article by Henry J. Taylor, a special writer for Scripps-Howard, the substance of which is that some 250,000 European nonresident aliens here made approximately $800,000,000 in profit on the New York Stock Exchange and in other markets throughout the country.

There also appeared in the Scripps-Howard newspapers a most excellent editorial which in substance stated that some of these refugees are not poor.

I understand from the distinguished chairman of the Finance Committee that perhaps some additional tax bills will be presented before the Senate adjourns for the summer. I also understand from him that the Treasury Department and others are giving considerable attention and thought to this problem; I might say this most serious problem.

Mr. President, I ask unanimous consent that the article and the editorial may be printed at this point in the RECORD.

There being no objection, the article and editorial were ordered to be printed in the RECORD, as follows:

ALIENS CLEAN UP PROFITS AND PAY NO TAXES

(By Henry J. Taylor)

NEW YORK, July 19.—About 250,000 European nonresident aliens here, most of whom live in New York, recently have taken some $800,000,000 in profits from our security markets without paying any taxes to the United States.

In their New York Stock Exchange operations alone (to say nothing of real estate investments, commodity speculations or private side-deals) the estimated loss in Treasury income is about $200,000,000.

Strictly speaking, their methods may not have been illegal, but the whole status of nonresident alien tax exemptions is due for a review.

In passing the 1936 Revenue Act, Congress left a big loophole. In section 211 (b) of the Internal Revenue Code, Congress exempted nonresident aliens, not engaged in business here, from the capital-gains tax.

The tax which Americans pay on the net gain realized on the sale of property ranges from 25 percent on profits obtained after 6 months ownership, to 80 or 90 percent on short-term transactions in top income brackets.

Resident aliens or nonresident aliens known to be engaged in business here are taxed at the same rate. But noncitizen visitors, here for a short stay on a visitor's permit were presumed by Congress to be paying taxes in their own countries on any American profits. They were exempted partly as relief from double taxation, but specifically on the assumption that they were not to engage in business here. The 1936 act regarded them as transients in America for study, travel, medical care or such purposes "not engaged in trade or business in the United States and not having a place of business therein." Subject to this and other provisions, the act says they "need not make a tax return on any capital gains, whether on a turn-over in 6 months or longer."

Americans abroad were given similar reciprocal exemptions by several countries, notably England and France. The effect, however, has mounted to a major scandal.

Living in hotel suites and in other ways avoiding the appearance of engaging in business, nonresident aliens and refugees have found that they could go into almost any commodity exchange house, jewelry commission merchant's establishment, real estate concern, or New York broker's office, present their visitor's card and visa, give their residence as Rio, Cairo, or Mexico City (three favorites), and avoid all tax payments to the United States. More than 250,000 of them have profited this way on the New York Stock Exchange alone.

Among six important stock brokerage firms here, I found that more than 25,000 nonresident aliens from Germany, France, the Netherlands, Czechoslovakia, Switzerland, and Scandanavia opened brokerage accounts running from a few thousand to $3,000,000, the last sum deposited by a group of visitors from Amsterdam who have been here since 1939.

"The heaviest traders we have," one broker reports, "are rich Swiss. They cleaned up in the shipping shares. Now they are buying anything having to do with electronics."

SOME REFUGEES AREN'T POOR

You may have been interested in the dispatch from New York by Henry J. Taylor, telling how nonresident aliens have taken an estimated $800,000,000 in tax-free profits out of stock-market transactions, to say nothing of their real estate deals.

Our immigrant laws are purposefully lenient to provide asylum for political refugees, permitting them to come into our country on visitors' visas. The average political refugee is not wealthy. But some of them, according to Mr. Taylor's findings, are more than well off, and many have made a killing in our boom markets and have had a free ride from the tax viewpoint.

We have no reason to be angry with our alien visitors. They don't write our tax laws. Congress does that. They don't interpret and apply our tax laws. The Bureau of Internal Revenue does that. The present law, with the loophole through which aliens have operated, was enacted in the piping peacetimes of 1936. Aliens here on temporary visas were presumed to be taxed by their own governments, and Congress gave them relief from double taxation, partly because that was the fair thing to do and partly to encourage other governments to stop the double taxation of Americans temporarily residing in their lands.

It was a good enough law for peacetime. But with the war in Europe, many of our alien visitors couldn't go home, and thousands more came over here and stayed. Their governments were overthrown and couldn't tax their incomes here. And our Congress was too busy with the war, or too unconcerned, to change the law to fit changed conditions.

Congress should change the law to recapture a fair share of those profits. But apparently Congress is still too unconcerned. The House of Representatives at least is getting ready for a long vacation. If there is to be no change in the law, we hope at least the Internal Revenue Bureau will apply the strictest possible interpretation to the present tax laws to get as much revenue as possible before the visitors who have been so long with us depart for their homelands. Our Government needs revenue.

Mr. MAYBANK. Mr. President, I should like to ask the distinguished chairman of the Finance Committee to give his opinion as to what might possibly be done in this connection. The taxpayers of the United States have a great interest in the matter. Two hundred and fifty thousand nonresident aliens are making $800,000,000 in profits.

Mr. McMAHON. Mr. President, in view of the question raised by the Senator from South Carolina it perhaps would not be amiss for me to say a few words on this subject, since it is a matter I have been working on for some time. I became conscious last spring of the fact that this great body of refugees who came here back in 1939 and 1940 had been and were making great speculative profits in the way of capital gains.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. McMAHON. Yes.

Mr. MAYBANK. The immigration authorities tell me that some came in 1942, 1943, and some even in 1944.

Mr. McMAHON. I presume they have been coming in since 1939.

Mr. MAYBANK. On special plane and ship priorities.

Mr. McMAHON. In any event we are glad that these people were able to obtain refuge here. But I could see no reason based in justice why they should be permitted to make these gains and not pay the taxes the American citizen was paying. Apparently these people are getting ready to go back now to Europe, to Switzerland, and to other countries of the world, with these profits they have made, without paying tax on them. It was because of that situation that I requested Mr. GEELAN, one of the Representatives from Connecticut, to introduce in the House a bill to amend section 211 (b) of the Internal Revenue Code, which would provide that these people should be taxed as American citizens are taxed.

As the result of the introduction of the bill the Treasury Department took cognizance of the matter, and I held several conferences with the General Counsel of the Treasury, and Mr. Stam, the able tax counsel to the Finance Committee, and with the distinguished chairman of the Finance Commitee, the Senator from Georgia. It was finally determined by the Bureau of Internal Revenue that they had not been interpreting correctly what constituted a resident and what constituted a nonresident. I am happy to tell the Senator from South Carolina that under the new regulations which have been issued by the General Counsel of the Treasury Department and under the new instructions which have gone out to the collectors of internal revenue, this situation can be corrected providing the new interpretation of what constitutes a resident and what constitutes a nonresident is followed.

The Treasury Department under release of June 28—and I am glad that they finally got around to doing it—stated:

Noting that the income tax laws exempt nonresident aliens not engaged in a trade or business in the United States from taxation on profits from transactions upon securities or commodities exchanges, the Commissioner directed careful scrutiny of claims for such exemptions. * * *

Aliens in this country who are classified as "resident aliens" are subject to the same taxes as citizen of the United States. Under the tax laws, an alien may be regarded as a "resident" of the United States even though he intends to return to his own country. The classification of "nonresident alien" is limited primarily to transients who are in the United States only for a very brief or fixed period of time.

In order to establish exemption, a nonresident alien must also show that he was not engaged in a trade or business in this country. Therefore, the exemption cannot ordinarily be allowed to an alien who has, while in the United States, earned compensation for personal services, participated in commercial or industrial activities, or bought and sold property.

So I think I can inform the Senator from South Carolina that, due to the new interpretation by the Treasury of what has been the law, an improvement can be looked for and that these people will be taxed.

Mr. MAYBANK. Mr. President, will the Senator again yield?

Mr. McMAHON. I yield.

Mr. MAYBANK. I had the privilege of discussing with the distinguished Senator from Connecticut the matter to which he has just referred. I certainly want to commend him for his interest and for his ability in keeping after the Treasury Department. But is it not the opinion of the Senator from Connecticut that we should have even additional legislation to make certain that these aliens who are here, many of whom are making fortunes, who came here on plane and ship priorities, shall not be permitted to make those fortunes and carry them away from the shores of America without being taxed on them, while our people are called upon to pay taxes in every form? Does the Senator not believe that there should be additional legislation enacted?

Mr. McMAHON. I was inclined to feel that perhaps the importance of the subject was such as to warrant the consideration of an amendment defining what constituted a resident and what constituted a nonresident which would be binding not only upon the Bureau of Internal Revenue but upon the courts. But I will say to the Senator that after studying very carefully this document which comes from the Treasury Department I am not prepared to say that the situation has not been taken care of. I would appreciate it if the Senator, who is interested in the subject, would study it over the week end. I understand there are a couple of other minor tax bills which are coming up next week. If the Senator concludes that the subject is not sufficiently covered, I shall be glad to join with him in an amendment positively to remove all doubt on the subject.

Mr. MAYBANK. Mr. President, I want to thank the Senator from Connecticut. My only thought is to remove all doubt, as the Senator has suggested, not only from the Treasury Department, the Internal Revenue Bureau, but from the courts themselves, because it seems to me that in these times when heavy taxes are laid upon our own people, certainly no one should be in the United States as a visitor on a visitor's passport, making huge sums of money, and taking them away without being taxed on them.

Mr. McMAHON. I may say to the Senator from South Carolina that there has been some effort, in discussions on this subject which I have seen, to indicate that certain people from certain countries are involved in this scheme. So far as I know it is not confined to any one class or any one race or any one religion. It seems to be general, and these refugees, all of them, seem to have taken advantage of the situation. I may say particularly the Swiss seem to have taken advantage of this interpretation by the Bureau of Internal Revenue, which has now been changed.

Mr. MAYBANK. Mr. President, will the Senator again yield?

Mr. McMAHON. I yield.

Mr. MAYBANK. I should like to say that that was the substance of the excellent editorial which I asked unanimous consent to have printed in the RECORD—the fact of the taking advantage of what was perhaps a defect in the law.

Mr. McMAHON. I do not think it was so much a matter of a defect in the law as it was the interpretation of it by the Treasury Department.

Mr. MAYBANK. I thank the Senator.

Mr. McMAHON. I should like to have the Senator himself examine it, to see whether he is satisfied, as I am at this point, that the matter has been taken care of, and that the interpretation now placed upon the law by the Treasury Department as a result of the introduction of this bill is a correct one.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. McMAHON. I yield.

Mr. LANGER. When the article first appeared in the newspapers 2 months ago with regard to the $800,000,000 being taken out by refugees, I took it up with the Assistant Secretary of the Treasury. Under the ruling which the distinguished Senator just read, it is very doubtful whether money made in past years, in the years 1941, 1942, and 1943, is covered, or whether only future income will be affected. If there is any way we can get the money which these refugees have made since the war started, we want to be certain to get it.

Mr. McMAHON. The tax would undoubtedly apply, under the present interpretation of the Bureau of Internal Revenue, when the gain was made. If the alien came here in 1939, 1940, or 1941, under the interpretation of the Treasury Department, his returns can now be reexamined, the tax can be assessed, and he cannot get clearance to go back to Europe until he pays the tax.

Mr. LANGER. Some of these refugees did not make any income-tax returns. They said they were not citizens or residents here.

Mr. McMAHON. I will say to the Senator from North Dakota that, as I understand the revenue laws, they are required to file returns.

Mr. LANGER. I understand.

Mr. McMAHON. Of course, many Americans do not file returns. However, the Bureau of Internal Revenue, with its greatly augmented force, is making a drive on all these people, and I am informed that within the past few weeks it has done very well in bringing large amounts of money into the Treasury Department.

Mr. LANGER. When I discussed this matter a little over a month ago, I was informed by the Assistant Secretary that the Treasury Department was satisfied that hundreds of them did not make returns, feeling that they had a right not to do so. Has the Senator since discussed the question with the Treasury Department?

Mr. McMAHON. I have. I ask that the Treasury release on the subject be placed in the record following my remarks. It is quite lengthy, and I shall not detain the Senate at this hour to read it, but I should like to have the Senator read the release and the interpretation.

There being no objection, the release was ordered to be printed in the RECORD, as follows:

TREASURY DEPARTMENT,
BUREAU OF INTERNAL REVENUE,
Washington, June 28, 1945.

Joseph D. Nunan, Jr., Commissioner of Internal Revenue, today directed field offices of the Bureau of Internal Revenue to give special attention to the tax problems of alien war refugees living in the United States, to assure fair and proper taxation of the income, if any, of such individuals.

Noting that the income-tax laws exempt nonresident aliens not engaged in a trade or business in the United States from taxation on profits from transactions upon securities or commodities exchanges, the Commissioner directed careful scrutiny of claims for such exemptions. Before allowing such exemptions, proof will be required that the individuals concerned were not, in fact, residents of the United States and were not engaged in a trade or business in this country.

Aliens in this country who are classified as "resident aliens" are subject to the same taxes as citizens of the United States. Under the tax laws, an alien may be regarded as a "resident" of the United States even though he intends to return to his own country. The classification of "nonresident alien" is limited primarily to transients who are in the United Staes only for a very brief or fixed period of time.

In order to establish exemption, a nonresident alien must also show that he was not engaged in a trade or business in this country. Therefore, the exemption cannot ordinarily be allowed to an alien who has, while in the United States, earned compensation for personal services, participated in commercial or industrial activities, of bought and sold property.

Aliens who desire to clarify the status of securities or commodity transactions which they have not reported in United States income-tax returns for years subsequent to January 1, 1940, should consult the internal revenue agent-in-charge or the collector of internal revenue in the local district in which they reside. Such interviews are advised particularly in the case of aliens planning to return to foreign countries, inasmuch as they are required to obtain tax-clearance certificates before departing.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF
INTERNAL REVENUE,
Washington, D. C., June 27, 1945.

TAXATION OF ALIENS DERIVING INCOME FROM TRANSACTIONS ON THE STOCK MARKET, FROM THE SALE OF SECURITIES, FROM DEALINGS IN COMMODITIES, AND FROM OTHER SOURCES WITHIN THE UNITED STATES

Collectors of Internal Revenue, Internal Revenue Agents in Charge, Heads of Field Divisions of the Technical Staff, and Others Concerned:

1. The Bureau has under consideration the question of the taxation of capital gains, profits, and other income derived from sources within the United States by aliens who have left their country of origin, especially in Europe, on account of war conditions and who during their stay in the United States have accumulated considerable income as the result of transactions in the stock market and on the commodity exchanges. Attention is invited to the fact that aliens for Federal income-tax purposes fall within the following general classes: (1) nonresident aliens not engaged in trade or business within the United States who are taxed only on fixed or determinable annual or periodical income; (2) nonresident aliens not engaged in trade or business within the United States whose fixed or determinable annual or periodical income exceeds $15,400; (3) nonresident aliens engaged in trade or business within the United States; (4) resident aliens.

2. Very little difficulty is encountered in connection with the collection of income tax with respect to the first class. Such aliens are taxable under section 211 (a) of the Internal Revenue Code at the rate of 30 percent, and the entire amount of tax is, in general, required to be withheld at the source under section 143 (b) of the Internal Revenue Code. With respect to the second class, although a tax rate of 30 percent is required to be withheld at the source from their fixed or determinable annual or periodical income, they are also subject to surtax and returns are required to be filed by the individuals in such cases on Form 1040NB (a), accounting for the balance of the tax. With respect to those individuals engaged in trade or business within the United States, such aliens are subject to tax on their entire income from sources within the United States, including capital gains. However, as provided in section 211 (b) of the Internal Revenue Code the phrase "engaged in trade or business within the United States" does not include the effecting, through a resident broker, commission agent, or custodian, of transactions in the United States in commodities, or in stocks or securities. It follows that a nonresident alien, not otherwise engaged in trade or business in the United States, would not be subject to tax on capital gains merely by reason of such transactions in commodities or stocks or securities. Special attention should, however, be given to the cases of aliens who derive profits from these transactions and who claim to be nonresident aliens not engaged in trade or business within the United States. In this connection it should be pointed out that the term "engaged in trade or business within the United States" includes the performance of personal service within the United States at any time within the taxable year as specifically provided by section 211 (b) of the code. It follows, therefore, that if any of the aliens of this class perform personal services in the United States at any time during the taxable year they would be subject to tax on their entire income derived from sources within the United States, including capital gains. However, certain other activities such as the buying and selling of personal or real property, on the alien's own behalf or on behalf of others, would ordinarily constitute engaging in trade or business. In the investigation of the tax liability of any nonresident alien claiming not to be engaged in trade or business within the United States particular attention should, therefore, be given to such activities of the alien.

3. The most important class of aliens with whom the Bureau is concerned are those who, having realized profits on securities transactions or otherwise, claim to be nonresidents of the United States and have thus failed to file proper income tax returns even though they are in fact residents of the United States. In connection with the general question as to what constitutes residence in the United States it should be borne in mind that residence is a mixed question of law and fact and the element of intention is one of primary importance. The Federal income tax laws have been uniform in levying a tax on the entire income of aliens, if resident in the United States, and residence has been construed by the Bureau in all rulings as something which may be less than domicile. (*Bowring* v. *Bowers* (24 F. (2d) 918).) In other words, residence, although used as the equivalent of domicile in connection with probate matters, succession taxes, and inheritance taxes, as well as the estate tax law, is not necessarily the same as domicile for Federal income tax purposes. It is stated in section 29.211–2 of regulations 111 that an alien actually present in the United States who is not a mere transient or sojourner is a resident of the United States for the purposes of the income tax. It is also stated in that section that if he lives in the United

States and has no definite intention as to his stay, he is a resident. Furthermore, one who comes to the United States for a definite purpose which in its nature may be promptly accomplished is a transient; but if his purpose is of such a nature that an extended stay may be necessary for its accomplishment, and to that end the alien makes his home temporarily in the United States, he becomes a resident, though it may be his intention at all times to return to his domicile abroad when the purpose for which he came has been consummated or abandoned. These provisions of the regulations, it is thought, will cover many cases of aliens who, by reasons of conditions stemming from the war, have come to the United States.

4. Attention is invited to the last sentence of section 29.211–2, Regulations 111, which states that an alien whose stay in the United States is limited to a definite period by immigration laws is not a resident of the United States within the meaning of that section, in the absence of exceptional circumstances. The general rule adopted by the Bureau is that the type of visa issued is only one of elements entering into the classification of the alien as a resident or nonresident. It is believed that there are many cases now which will come under the phrase "in the absence of exceptional circumstances" because of the fact that many visitors' permits, or temporary visas, were issued to aliens who desired merely to get out of the war-torn country under any conditions and under any passport or visa so long as they reached the shores of the United States. For example, while the vast majority of such aliens originally entered the United States on temporary permits, numerous extensions of such permits have been applied for and granted and a great number of applications have been made by such aliens to enter a third country in order to qualify for reentry to the United States on immigrants' visas, thus indicating an intention to become residents of the United States even though such immigrants' visas may not have been granted. On the other hand the possession of an immigrant's visa by an alien, upon his initial entrance into the United States, is not conclusive of his classification as a resident of this country. Those aliens, therefore, who are properly classified as residents within the meaning of the regulations referred to above and under the general rules of law relating to what constitutes residence, should in every case be required to file returns on Form 1040 accounting for income from all sources, both within and without the United States, including capital gains. Furthermore, all nonresident aliens who are physically present in the United States and who have been engaged in trade or business within this country at any time during the taxable year should file complete returns on Form 1040B, accounting for their entire income from sources within this country, including capital gains.

5. In view of what has been said above the field officers of the Bureau are requested to take prompt action and set up the necessary procedure for the purpose of investigating those cases where it is evident that the aliens have made gains from dealings in stocks, securities, commodities, and similar transactions, to the end that aliens engaged in trade or business within the United States, and those who are resident aliens, may be properly taxed on such capital gains and that only nonresident aliens not engaged in trade or business within the United States shall be relieved of taxation in this respect, as provided by sections 211 (a) and 211 (c) of the Internal Revenue Code.

6. In connection with the examination of aliens information should be obtained regarding (a) date of arrival in the United States; (b) whether members of the alien's family accompanied him; (c) type of visa or permit issued to him; (d) reasons for coming to the United States; (e) whether the alien registered under the Selective Service Act; (f) what funds, securities, or other personal property were brought into the United States by the alien or transferred to his account, or held for his benefit directly or indirectly through nominees or otherwise, prior to or after his arrival; (g) whether he performed personal services or engaged in any other business activities within the United States; (h) complete disclosure as to capital gains from dealings in securities or commodities; (i) whether he owns any real estate in the United States in his own name or in the name of a nominee; (j) if the alien entered the United States on a temporary permit how many times has it been renewed; and (k) has the alien applied for or been granted an immigration visa or otherwise declared his desire or intention to reside in the United States.

7. I. T. 3386 (C. B. 1940–1, 66) holding that a subject of a foreign country who entered the United States on a temporary visa which had been renewed from time to time during continuance of the war, has the status of a nonresident alien, is modified to accord with the foregoing principles.

Correspondence relating to this mimeograph should refer to its number and the symbols IT:P.

JOSEPH D. NUNAN, Jr.,
Commissioner.

Mr. JOHNSON of Colorado. Mr. President, I rise to discuss the committee amendment to delete certain parts of House bill 3633, namely, the railroad reorganization provisions.

As the chairman has stated, this question was decided in committee by a very close vote—I think perhaps by a majority of one. I gave notice in the committee that I would be compelled to oppose the action of the majority in deleting these provisions.

For 4 days we have been listening to oratory on the floor of the Senate about stabilizing the world. We are going to stabilize Siam, Abyssinia, Iran, and Iraq, to say nothing of Italy, England, Russia, and all the rest of the world, but when it comes to a little matter of stabilizing railroads in receivership in the United States, we hold back and say, "Nothing doing." We vote billions without hesitation for the stabilization of far-away countries, but when it comes to railroads in this country trying to get out of receivership, we say, "You cannot pass this way. You must stay in receivership." That is what the committee amendment does. It keeps railroads in receivership. During the depression railroads representing one-third of the railroad mileage in this country went into receivership. Some of those roads have since reorganized and come out of receivership, but there are 19 roads—and not unimportant roads—still in receivership, and because the Congress does not enact a provision such as that contained in this tax bill, those railroads are not permitted to come out of receivership, or if they do come out, they do so at a great loss.

The objective of the provision included in the bill by the House was to enable railroads to come out of receivership. I know that it is said that this is something new and that it should be given a great deal more study. However, I recall that the very provision contained in this bill was passed by the Senate in 1943 or 1944, went to conference, and was deleted in conference. Then the House, in this bill, restored the provision.

Mr. GEORGE. Mr. President, will the Senator yield?

Mr. JOHNSON of Colorado. I yield.

Mr. GEORGE. I call the Senator's attention to the fact that the amendment which was carried to conference in 1943 was much more limited than the present provision.

Mr. JOHNSON of Colorado. Perhaps it was not exactly the same, but it was very close to it. It had the same purposes and objectives.

The present provision was adopted by the House the other day. I looked up the Journal, and I noticed that it passed the House by a vote of 246 to 91. It was debated at length.

As we all know, there is not supposed to be a quorum present in the House. It is admitted by everyone that this is an emergency tax measure and that it should be enacted without delay. Yet the Senate Committee on Finance has reported an amendment striking out certain provisions. The amendment must go to the House. I do not know whether that means that the bill will not be enacted into law until late October or November, when the House returns from its vacation. However, it seems to me that this provision does not enable any railroad in receivership to do anything which railroads not in receivership are not now able to do as a matter of right.

For example, if railroad A has never been in receivership, it is entitled to the benefits of the carry-back and carry-over provision; but if a railroad is in receivership, and if it must have a new charter, if it is not organized under the laws of certain States of the Union—I believe those States are Delaware, Illinois, and Wisconsin—if it is reorganized and must have a new charter, it is not entitled to the benefits of the carry-over or carry-back provisions.

The present situation results in rank discrimination. The amendment reported by the Committee on Finance would keep railroads in receivership. It is said that the House provision would cost the Treasury something. I believe that it would make money for the Treasury, because the railroads which are in receivership receive a credit on their tax bill for the interest due their bondholders, and for their debts. Whether they pay those debts or not, the Treasury gives them a credit. Of course, that results in a loss to the Treasury.

For the life of me I cannot understand why the Treasury is so anxious to keep railroads in receivership. Why not get them out? Why not get them on a solid, sound, and firm basis of operation, so that they can do their part in the economy of this country and render the service which they are organized to render? The Treasury says that we must keep them in receivership. It provides an incentive to keep them in receivership.

Why are they in receivership? They are in receivership because during the period of frenzied finance, the days when

watering stock was a common practice among high financiers, these railroads put water in their stock. They have debts which never can be paid, which they never can meet. They have issued stock which is worthless. So they go into receivership. When they come out of receivership they find that because they have eliminated their bad debts and worthless stock and have placed themselves on a sound financial basis, they must have new charters, according to the laws of some of the States. Because they must have new charters, the Treasury Department in this way will not permit them to come out of receivership.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. JOHNSON of Colorado. I am glad to yield.

Mr. CAPEHART. What is the position of the Treasury in refusing to allow them to come out of receivership, and what does the Treasury Department hope to gain?

Mr. JOHNSON of Colorado. I cannot under stand the logic of the Treasury Department's position. However, I understand that the Treasury's position is that the railroads that are in receivership are not entitled to the carry-over and carry-back provisions of the tax laws. The Treasury takes the position that if those railroads remain in receivership they are entitled to the benefits of those provisions, that so long as they remain in receivership they will receive those benefits, or that if they never went into receivership they could receive the benefits, or that if they can come out of receivership and do not have to write a new charter they can receive the benefits. But the Treasury takes the position that if they have to write a new charter when they write off their bad debts and their bad stock, they may not receive the benefits of those provisions.

Mr. CAPEHART. Is the excuse that there will be a loss of revenue?

Mr. JOHNSON of Colorado. The Treasury's excuse is that there will be a loss of revenue. But I cannot believe that will be true, because we know that a going concern will pay more taxes than a firm in a receivership will pay. As every businessman knows, there is nothing quite so expensive as operating a business in receivership. Being in receivership is an unfortunate situation; when a company has many debts against it, the bad stock with which it has to contend, the claims filed against it, and court expenses, receivership operation is expensive; and certainly the losses will be very great and the gains will be very small in that sort of situation.

Mr. CAPEHART. Mr. President, will the Senator further yield?

Mr. JOHNSON of Colorado. I yield.

Mr. CAPEHART. I do not think there is anything I can add to what the Senator from Colorado has just stated, except perhaps one or two brief comments.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. JOHNSON of Colorado. I am glad to yield the floor; but if the Senator from North Dakota wishes to ask a question or make a brief comment, I will yield to him at this time.

Mr. LANGER. Mr. President, I merely wish to say that the reason given for the insolvency of some of the railroads is not the only reason. All over the West there were 9 years of drought. I know of one railroad which, on a 700-mile line, hauled only one carload of wheat during that period. Some of those railroads are very much interested in this matter. Some of them are in the hands of receivers. A number of them have sent telegrams to me in which they have pleaded that the measure which has been mentioned by the Senator from Colorado be enacted.

A few moments ago, in discussing this matter with the Senator from Vermont, he handed me a telegram which in many respects is similar to the telegrams I have received from North Dakota. His telegram reads as follows:

RUTLAND, VT., *July 14, 1945.*

GEORGE D. AIKEN,

United States Senator, State of Vermont:

The Rutland Railroad is in the process of reorganization and vitally interested in provisions bill H. R. 3633. We sincerely hope that you will support provision which removes a discrimination and inequality re treatment of reorganizations and that such provision be retained in bill.

W. E. NAVIN,
Trustee, Rutland Railroad.

Mr. President, that railroad is in the same shape that railroads in North Dakota, South Dakota, and in some other States are in.

If it is in order, I now move that the part of the bill which was disapproved by the committee be reinserted.

The PRESIDENT pro tempore. Such a motion is not in order.

The question is on agreeing to the amendment of the committee.

Mr. CAPEHART. Mr. President, a moment ago I said that I did not think there was very much I could add to what the Senator from Colorado had said. I should like to say a word about the situation in Indiana. In Indiana there are railroads which are vitally interested in this matter, and they employ a number of people. We believe they are entitled to some relief.

I have discussed the matter with the able senior Senator from Georgia [Mr. GEORGE], the chairman of the Finance Committee, and he is sympathetic with the position of the railroads which are in bankruptcy. We have been assured that the matter will be taken up in connection with the next tax bill; but it seems to me that inasmuch as the House of Representatives voted for this portion of the bill by such a large majority—as I recall, the vote was almost 300 in favor of it and approximately 88 against it—and inasmuch as the railroads do need this relief and inasmuch as we are in a mood today to relieve almost everyone throughout the world—a few minutes ago we authorized the appropriation of some $6,000,000,000 for that purpose—I ask and beg the Senate to do a little something today for our own people. I voted for the Bretton Woods Agreements, and I was delighted to do so. Now let us do the generous thing and vote a few dollars—very few, in comparison with what we have been doing for people throughout the world—for the help of railroads which need relief. I ask that we do that. I assure the Senate that our people in Indiana will appreciate a little help, and I am certain that is true of the people in the other States.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

Mr. GURNEY. Mr. President, I wish to express just one thought to supplement the statements which have already been made against adoption of the committee amendment. First, I wish to thank the chairman of the committee for his very frank and sincere assurance that a full hearing will be given on this proposition, provided the committee amendment stands. I have gone into the matter to some extent simply for the reason that a railroad in my section of the country is vitally interested in the provision placed in the bill by the House of Representatives. That railroad needs to be able to take advantage of that provision in order to reorganize. I realize there is a controversy whether the railroads should benefit from carry-backs or losses which have been sustained in past years; but as a matter of fairness, it seems to me that a new railroad which has a new charter should receive the same benefit that is received by a railroad which reorganizes and keeps its old name or its old charter. Merely because it has to change its name in order to secure a new charter is no reason for discriminating against it. It should have an equal chance to get along from now on.

Certainly we all know that the transportation system in this country needs a great deal of help, and needs it immediately. What we advocate would be only a gesture on the part of Congress to perhaps a few of the small railroads. Of course, some are not so small; I understand that the Wabash Railroad is interested in this amendment; and in our territory the M. & St. L. is interested. The operations of that road are in the Dakotas and Minnesota, and I understand it also runs down South a little way. Inasmuch as the arguments on each side are almost equal in force; and inasmuch as we certainly could, if we wished to do so, use against this amendment the same argument that the majority leader used against the amendment proposed by the Senator from Minnesota [Mr. BALL] to the Bretton Woods agreement, this afternoon, when he said that probably the bill providing for participation of the United States in the Bretton Woods agreement would not be passed until November if that amendment were adopted, I do not think it would be fair to the House of Representatives for the Senate to adopt this amendment and then expect 90 Members, more or less, of the House of Representatives who might be present in the House at its sessions following today to override the judgment of some 240 Members of the House of Representatives a short time ago.

Therefore, Mr. President, I hope the Senate will not adopt the committee amendment.

Mr. LA FOLLETTE. Mr. President, I rise to support the committee amend-

ment. I wish the Senate to know that this is not the same amendment which was adopted by the Senate in connection with a previous tax bill and later eliminated in conference. That amendment was much narrower in its application, and not so sweeping as is the particular amendment now under consideration.

In the second place, I wish the Senate to know that the other House had no opportunity to vote on this particular amendment. The bill was brought in under a restricted rule, and the vote referred to by the Senator from Colorado [Mr. JOHNSON] was the vote on the passage of the bill. Furthermore, the House committee——

Mr. JOHNSON of Colorado. Mr. President, the Senator is entirely incorrect. The vote in the other House to which I referred was on this particular question, and the vote stood 246 to 91.

Mr. LA FOLLETTE. I think if the Senator will refer to the RECORD he will find that he is in error. If he is not, I shall be glad to acknowledge my error. But I think he will find upon reviewing the RECORD that there was no opportunity for a direct vote on this particular amendment. There was considerable discussion in the other House upon the amendment.

Mr. JOHNSON of Colorado. I am sorry. My statement that the vote was on this particular point is in error.

Mr. LA FOLLETTE. In the third place, Mr. President, I wish to emphasize that there was no hearing before the House Ways and Means Committee on this amendment. It was submitted in the closing hours of the committee's consideration of the bill, and was adopted by a divided vote of the Ways and Means Committee.

The provisions in question are exceedingly restricted in their application. Not only is this class legislation in that it applies only to railroads, but it is almost individual taxpayer legislation in that it applies only to a very few railroad-corporation taxpayers. Only five railroads out of the 10 which have already completed their reorganization will receive any benefit from these provisions. There are 18 not yet reorganized, and of these, seven have not even plans for reorganization, and they will not be out of receivership in time for any carry-backs.

The 11 which may possibly be benefitted are those which have plans and may come out of receivership soon.

It is estimated that the total tax reduction for these five railroads will be approximately $8,500,000, and that of the five, one railroad will obtain relief to the extent of $6,000,000 or more. I refer to the Wabash Railroad. Fifty-seven percent of its common stock, as I understand, was owned by the Pennsylvania Railroad Co. or by the Pennroad Corp., when the Wabash went into receivership.

The proposed legislation might possibly benefit some of the 11 railroads which have not completed their reorganization. But there is no evidence, and there has been no investigation of a sufficiently thorough character from which it may be ascertained whether or not this retroactive piece of special legislation will benefit the remaining railroads which have not yet completed their reorganization.

Mr. President, there is not a scintilla of evidence before the Senate Finance Committee—and I hazard the assertion that there is not a scintilla of evidence before the Ways and Means Committee of the House of Representatives—that the failure to grant this type of special legislation is deterring the reorganization of any of the 11 railroads which are still in receivership.

However, Mr. President, it is entirely possible that by reason of the timing of their reorganization—I am referring now to the 11 companies which are still in receivership—and the absence of carry-backs in the period immediately after the reorganization, none of the 11 railroads still in receivership will be affected by this proposed legislation.

I believe that every Senator will concede that retroactive tax legislation is not to be desired except as it is employed to remedy a proven and clearly demonstrated case of inequity.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. JOHNSON of Colorado. I wish to ask the Senator a question. He has mentioned the names of some railroads, and has included the name of the Wabash.

Mr. LA FOLLETTE. I did not intend to state the names of any railroads, but the Senator asked me for the name of the railroad and I think he is entitled to have it.

Mr. JOHNSON of Colorado. Yes; I think it was perfectly proper to have named the Wabash, because that road is in a position to receive the greatest amount of good from this legislation. However, the question which I wish to ask the Senator from Wisconsin is this: Does he think that the Wabash is entitled to the benefits of the tax laws of this Nation to any less degree than is the Union Pacific Railroad, for example, or some other more prosperous railroad, such as the C. B. & Q., or other railroads which have not been in receivership?

Mr. LA FOLLETTE. I will reply to the Senator by saying that I would have to know in detail all the considerations which went into the court's approval of the reorganization of the Wabash before I could state whether that road is entitled to the proposed retroactive relief legislation. I presume that in approving the reorganization the court went as far as, in protecting the equities which existed in the form of common stock and junior bonds, as it was possible to go under the circumstances.

Mr. JOHNSON of Colorado. Mr. President, the point I am trying to make is that the Union Pacific Railroad, the C. B. & Q., and many other railroads which have not been in receivership, will receive carry-over and carry-back benefits.

Mr. LA FOLLETTE. Certainly; but if the court had known that at some time in the 11th hour during the consideration of a piece of tax legislation, which is not directly germane or related, and without a hearing, this proposal was to be put over, and that the Wabash was about to receive $6,000,000 in relief to which it was not entitled at the time the reorganization was approved by the court, it might have been possible for the court to have insisted further on the preservation of the equities of the junior bondholders, or other equity elements involved in the reorganization.

Mr. JOHNSON of Colorado. I may say that a reorganized railroad must not only have the approval of the Federal court in which its receivership is pending, but it must also have the approval of the Interstate Commerce Commission.

Mr. LA FOLLETTE. What the Senator has stated is true, and if the Interstate Commerce Commission had known that this railroad was to receive a retroactive benefit of $6,000,000, perhaps it would have asked for an amendment in some nature before approving the reorganization. I cannot answer the Senator's question until I know more about the situation, and I cannot know more about it until the Ways and Means Committee of the House of Representatives, or the Finance Committee of the Senate, or both of them have had an opportunity to go into the matter. As has been stated by the chairman of the committee, it is our intention to go into the matter, and to go into it without prejudice. We intend to go into it with the benefit of the investigation of the joint committee staff.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I should like to continue with my remarks. I do not wish to decline to yield to any Senator, but the hour is getting late and I know that the Senate wishes to complete consideration of the pending bill. I am sure that if I might be permitted to proceed without interruption I could conclude very briefly. However, I shall be glad to yield to the Senator from Indiana.

Mr. CAPEHART. A moment ago the Senator stated that one railroad would receive under this proposal 37 percent.

Mr. LA FOLLETTE. No.

Mr. CAPEHART. The Pennsylvania Railroad owns 37 percent of the Wabash, and the Wabash would benefit to the extent of $6,000,000.

Mr. LA FOLLETTE. No; I stated that it was my information—I am not positive of the fact but it was told to me by one of the experts at the time the Wabash went into receivership—that the Pennsylvania, or the Pennroad Corporation, owned a substantial percentage of the stock of the Wabash Railroad. I believe that I stated that the percentage was 57 percent.

Mr. CAPEHART. Yes; the thought being that one corporation would receive all this money. The fact is that the Pennsylvania Railroad is owned by many thousands of stockholders.

Mr. LA FOLLETTE. That was not my point at all. My point was that a substantial percentage of the stock of this road, when it went into receivership, was owned by the Pennsylvania Railroad Co. or by the Pennroad Corp., and that one of the two companies will still retain control of the road when it comes out of reorganization and has been approved by the court.

Mr. BARKLEY. If the Senator from Wisconsin will yield, I am just now informed that the percentage of stock of

the Wabash owned by the Pennroad Corp. was 78 percent.

Mr. LA FOLLETTE. I was then certainly conservative in saying 57 percent.

The proposed legislation would be retroactive, and, I repeat, I think all Senators familiar with tax legislation know that retroactive legislation is undesirable, except, as I previously stated, to take care of a demonstrated inequity and injustice. I emphasize that without the retroactive features of the proposed legislation the $8,500,000 tax reduction would not occur, which I think is a point, in view of the argument which has been urged that this provision of the House bill will facilitate the reorganization of the 11 railroads which are still in receivership.

There has been no demonstration that there is a substantial lack of equity in the existing law. It can be argued with much plausibility that if this amendment is desirable and equitable for railroads in reorganization it is equally equitable and desirable for all corporations which are involuntarily reorganized because of bankruptcy and other factors.

I know it can be said that some distinction can perhaps be made between railroads and other types of corporations, but the fact remains that when in the Revenue Act of 1942 sections 112 to 112 (b) (9) and 113 (a) (20) were added to the Internal Revenue Code, affecting railroads in reorganization only, public demand required that similar amendments to the code affecting corporations generally be made, and that urging, and the argument that "You did it for the railroads and therefore it is only fair to do it for other corporations," resulted in sections 112 (b) (10) and 113 (a) (22) being added as a part of the Revenue Act of 1943.

I say frankly that the Senate should pause and consider, before it lets this camel's nose under the tent, because I am satisfied that if it does, the entire camel will be in by the time we come to another general tax revision, and that will create administrative headaches and inequities between corporations which will cause us to rue the day when we rushed into this matter without sufficient knowledge and sufficient facts, and without sufficient time to investigate.

To allow reorganized corporations generally to be treated as the same corporations for the purpose of carry-backs or carry-overs, would involve a great number of serious problems, since in some cases it might be equitable and in other cases very unfair to disregard the difference in corporate entity.

Furthermore, I wish to say, Mr. President, that the provisions in State laws with regard to charters are placed there for the purpose of trying to protect the equities of the persons who own common stock and junior and senior securities in corporations. I do not think we should take action to brush those provisions lightly aside simply on the plea that we are to give relief to only a few railroad corporations.

Abuses such as the acquisition of the bankrupt corporation to obtain the benefits of the carry-over of a net operating loss or unused credit might be expected if this provision were extended to the general corporate field.

It has been argued in the case of a reorganization under the Bankruptcy Act resulting in the formation of a new corporation that the new enterprise is essentially the same as the old one, and therefore, the carry-overs and carry-backs from or to the old corporation are desirable and equitable. As a matter of fact, the two corporations are not the same in many ways, and the differences result in many problems of equity and administration with respect to carry-overs and carry-backs.

One important difference is that the old corporation will have deducted large amounts of accrued but unpaid interest on the basis of old bonded debt, whereas after reorganization interest charges are materially less, sometimes only one-fourth or one-third as much as for the old corporation. To the extent that a loss or unused credit results from the deduction of these excessive interest charges, the carry-over of the net operating loss or unused excess profits credit from the old corporation to the new would be neither desirable nor equitable.

The new corporation is owned by different persons than the old since as the result of the reorganization the old stockholders are in general frozen out.

The new corporation has a different excess profits credit than would have been the case had the reorganization been effected by a mere refinancing of the orginal corporation. In some cases the credit is larger than that which a refinanced corporation would have had.

Reorganizations are frequently effected in the middle of the year so that if there is a new charter, the first taxable year of the reorganized company and the last taxable year of the predecessor are short taxable years, with resultant variations and complications if carry-overs or carry-backs are allowed.

In at least one case the reorganized railroad will be a merger of several companies which did not file a consolidated return, and in another case the old corporation was split into two.

It is argued that one railroad which was reorganized by a rearrangement of the capital structure of the existing corporation obtained a tax benefit through the carry-over of unused excess profits credits amounting to over $8,000,000, and it is inequitable to deny similar benefits to other corporations which for various reasons could not effect their reorganization by use of the original corporation. It may be questioned whether from the standpoint of abstract justice the one railroad should have been permitted the benefits of the carry-over of an unused excess profits credit, which arose largely because of excessive interest deductions in the period prior to reorganization. It can hardly be argued that because one railroad obtained questionable advantages, a bill should now be enacted to provide five additional railroads similarly questionable advantages.

I wish to make one further point, and then I shall be through. As every Senator knows, the railroads have been enjoying unusual prosperity as a result of the war business, and it seems to me that we would create inequities by a retroactive provision which extends substantial benefits to corporations which reorganized before there was the accumulation of profits as a result of war business, and to those which in the future will have to reorganize, undoubtedly, in a manner which will give very much greater recognition to the equities involved in the old corporation, and may result in the securing of approval of the stockholders, as was true in the case of the Erie, and thus enable them to retain their old corporate charter.

Mr. President, I think it would be a great mistake for the Congress now to enact the House provision. I think it should be thoroughly studied, and I will say here and now that if, after proper investigation and proper hearings, a showing can be made, that this is equitable, that it does not create a dangerous precedent so far as the general corporate-tax structure is concerned, I shall be the first to support it. But if the Senate adopts the provision it will be acting, just as the House did, without hearings, without investigation, and without full knowledge of the consequences which will flow from the rejection of the committee amendment.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. JOHNSON of Colorado. I should like to ask the Senator a question. If the railroads now in receivership remain in receivership, are they or are they not entitled to the benefits of the carry-over and the carry-back provisions?

Mr. LA FOLLETTE. So long as the corporate entity remains the same they are.

Mr. JOHNSON of Colorado. That is correct. The only time they lose their tax rights voted by the Congress is when they come out of receivership with a new charter.

Mr. LA FOLLETTE. As I stated, there are 10 roads that have already coue out of receivership, and the information I have been able to obtain indicates that this amendment will benefit only 5 of them. So the statement cannot be made that it is proposed in the effort to secure equity as between railroads. As I now see it, and with the light I now have, it indicates to me that the operation and effect of this amendment is to give relief to five railroads, and to give it to them without having full knowledge as to what would have been the reaction of both the courts and the Interstate Commerce Commission if they had known that this retroactive tax benefit was to be allowed.

Mr. JOHNSON of Colorado. If the Senator will yield once more, I promise I will not bother him again.

Mr. LA FOLLETTE. I yield.

Mr. JOHNSON of Colorado. According to the data which have been given to me there are 19 railroads in receivership, instead of merely a few as the Senator has indicated.

Mr. LA FOLLETTE. I referred to 18, and I said that 10, I understood were still in receivership.

Mr. JOHNSON of Colorado. Nineteen good-sized railroads are still in receiver-

ship, and the Wabash Railroad, which the Senator talks about, came out of receivership in 1942.

Mr. LA FOLLETTE. Yes, exactly. That is one of the points I made. The Wabash came out at a time when it could get by on a reorganization which would be very much less generous to the stockholders and the junior bondholders than in the case of any railroad that is going to come out now after having enjoyed the war-transportation business.

Mr. GURNEY. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. GURNEY. The Senator made a statement that the railroads had had a very unusual profit opportunity because of much war business. I am sure the Senator will be fair, because he knows that in the last war the Government took over the railroads. Even though the railroads have had a large opportunity for profit I think they deserve a pat on the back for a mighty fine job done.

Mr. LA FOLLETTE. I agree with that, but I will also say that in general we have been exceedingly generous with the railroads in our tax legislation. I do not want to go into that matter now. But I will say that I think the railroads are making a great mistake, and if they do not watch their step they are going to overreach themselves. Congress in its policy has been exceedingly generous to the railroads, and they are going to be coming here, I have no doubt, under the next tax bill, and ask for further relief on their deferred maintenance. They can whip a willing horse to death if they do not watch their step.

Mr. GURNEY. The railroads certainly may have been treated generously by Congress, but certainly the railroads have willingly given extra good service to the country in a time of dire need.

Mr. LA FOLLETTE. I grant that, and nothing I have said can be construed by the Senator from South Dakota or anyone else as being in criticism or derogation of the war job which the railroads have done. But that does not alter the question that the Senate should pass on this amendment on its merits, insofar as we know what they are, which I grant we do not know too much about.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield to the Senator from Michigan and then I will yield the floor.

Mr. FERGUSON. I should like to put this question to the Senator: Do I correctly understand that the Wabash Railroad has a new charter now and that the provision in question would apply to the new corporation?

Mr. LA FOLLETTE. It would give the new corporation retroactively the same carry-overs and carry-backs which it would enjoy if it were still the Wabash, or the old corporation prior to reorganization.

Mr. FERGUSON. Then we would have this proposition, that the new corporation would benefit, and it may be possible under the reorganization that stockholders or bondholders of the old corporation who in fact advanced the money, or were entitled to it, would receive nothing?

Mr. LA FOLLETTE. Of course, it is too late for those who are frozen out in the Wabash reorganization to get any benefit of anything that Congress does now.

Mr. FERGUSON. So it gives it to the new corporation and benefits the new stockholders, is that a correct analysis?

Mr. LA FOLLETTE. Yes, exactly. It benefits the new owners of whatever equities there are in the new corporation.

Mr. TAFT. Mr. President, I think I ought to correct what I think are errors in the point of view of the Senator from Wisconsin. In the first place railroads, particularly those in receivership, have always been treated differently from other corporations. Anyone who has practiced law knows that there has been a regular law of railroad receivership which in a way treats the railroad as an entity as ordinary corporations are not treated.

In the second place, that has been recognized by Congress in passing section 77 of the bankruptcy law which deals with railroads only. Later by 77 (b) we passed a bankruptcy law of a similar kind applying to other corporations.

Under section 77 of the bankruptcy act a railroad may be reorganized. So far as that is concerned it may still be the same corporation, and the court is given power—I think I am correct in saying—to wipe out the stockholders if the court wishes to do so in the reorganization.

The only difference is that that cannot be done over the provisions of a State charter. If under the State law a railroad cannot reorganize without going through a judicial sale, then it must go through a judicial sale. But the net result is just the same.

The Wabash, for instance, had to reorganize by judicial sale, as I understand, because it was a corporation under the laws of the State of Indiana primarily, and under the laws of the State of Indiana it could not be reorganized without a judicial sale. If the Wabash had been a corporation of the State of Ohio, it could have reorganized simply under section 77 of the Bankruptcy Act, and it would have gotten exactly the same results. After a railroad corporation has been reorganized under section 77 in the State of Ohio, there is just the same change in the stockholders and the same wiping out of stockholders and the same wiping out of bonds as if the reorganization had taken place under a judicial sale when under the State law it had to be done in that way.

Then provisions were made with respect to carry-backs and carry-overs. They were urged by the Treasury. They were invented by Mr. Randolph Paul—the carry-backs particularly—in order to meet the present situation, because it was pointed out that the railroads, for instance—but it is true of all corporations—may make large profits during the war period and may have to pay very high taxes on those profits, as they have done. But they cannot deduct anything for deferred maintenance. All of them have let their roadbeds and their cars and other equipment go to pot, and the moment the war is over they are going to have to spend a tremendous amount for maintenance of all kinds, and undoubtedly operate practically at a loss, or near a loss, in the postwar period.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. WHEELER. I think the Senator would not want to leave the impression that the roadbeds of the railroads have gone to pot. As a matter of fact, the roadbeds of the railroads have been kept up during this period better in many respects than they were during the prior period. Many of the railroads have improved their roadbeds so they are in far better condition than they previously were.

Mr. TAFT. Some have and some have not. If the Senator will permit me, I do not think that statement is entirely true, because they have been limited in their steel, they have been limited in their labor, and they have been limited in the materials they have had to provide. While they have kept their main roadbeds in shape, I think it will be found that there has been considerable deterioration. However, I do not wish to make a particular point of it.

Mr. WHEELER. Mr. President, will the Senator further yield?

Mr. TAFT. I yield.

Mr. WHEELER. What the Senator says with reference to rolling stock is true, but I think his statement with respect to roadbeds is inaccurate. I happen to know that many railroads have made a great deal of improvement in roadbeds.

While I am on my feet, let me point out something with reference to the reorganized railroads. I do not wish anyone to get the idea that reorganized railroads are in a poor position. As a matter of fact, some of the roads which are coming out of reorganization are coming out with far more money in their treasuries, because of the tremendous profits they have made in the past few years, than they have ever had before. Some of them have more money in their treasuries than their stock and bonds are selling for. They could pay off all their bonds under the reorganization.

Mr. TAFT. I still would prefer not to be a railroad stockholder or bondholder, and I am not one, because I do not think the railroads have much future, so far as I can see, from a financial standpoint. Once the war is over, I think they are going to have about the same difficulty they have had all along.

However, the point is that this carry-back provision was proposed by the Treasury, and the railroads were denied deferred maintenance because the carry-back provision was put in the law. The Pennsylvania Railroad has the full benefit of the carry-back and carry-over provisions. Some of the roads which have been reorganized have full advantage of the carry-back and carry-over provisions, but certain other roads which have to be reorganized in a different way do not get the advantage of those provisions. That is one reason why I feel that the provision in the bill

is fair, because it seems to me that today there is discrimination which is wholly and completely unreasonable.

I do not agree at all with the Senator from Wisconsin [Mr. LA FOLLETTE] that there are all sorts of other differences between the various forms of reorganization. I think they are exactly the same, except as to the manner in which they must be carried out. I do not believe that all the other points make any serious difference. I think there are very minor differences in the way in which the two kinds of reorganized railroad corporations are treated. For that reason it seems to me that the language in the House provision is a fair amendment to correct discrimination and to permit exactly the same treatment of railroads which have been reorganized in one way as is accorded to those which have been reorganized in another way.

All the railroads in the country get the advantage of the carry-back and carry-over provision, if it is an advantage, except a certain limited number of roads which are barred from it because they are reorganized in a certain way. Of the 18 roads in receivership, as I understand, a fair number will not reorganize if they are subject to the taxation which will result from the failure to apply to them the provisions which are applied to other roads.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

Mr. HAWKES. Mr. President, I should like to ask the chairman of the committee a question.

Mr. GEORGE. I shall be very glad to answer any question I can answer.

Mr. HAWKES. I was not a member of the committee at the time, but I am told that this same provision went through the Senate in 1943. Is that correct?

Mr. GEORGE. No; that is not an accurate statement. There was an amendment which had a much more limited effect than the pending provision.

Mr. HAWKES. It was not the same as this?

Mr. GEORGE. It was not the same. It went through the Senate in the sense that it was carried to conference for study. It went to conference, and the amendment was rejected in the conference. We were unable to secure its approval there.

Mr. HAWKES. If I may ask one further question, were hearings held at the time that amendment to the revenue law was made?

Mr. GEORGE. Not on this question.

Mr. HAWKES. No hearings were held on this question?

Mr. GEORGE. Not on this precise question. That is why I ask the Senate to sustain the committee in this amendment, because we have dealt perfectly fairly with the railroads which will be affected. We wish to study the question, and we need some hearings in order to know exactly what should be done.

It is true, as the distinguished Senator from Ohio [Mr. TAFT] says, that railroad corporations, being public carriers, have received somewhat different treatment in many States, and in the Federal tax statutes, but let me emphasize a fact which the railroads of the country ought not to overlook. We gave to all railroads undergoing reorganization through bankruptcy or receivership immense advantages in the act of 1942. We are dealing with new corporations. There is no need to say that the property is the same. Of course, the property is the same when an apartment house or hotel which has gone through receivership, or a steamship company, which is also a carrier, or a bus line which has gone through receivership, is purchased. Under the House provision, none of such corporations would receive any benefit.

We gave to all railroad corporations, even the new corporations acquiring the property of one or more bankrupt railroads, the full advantage—and a very great advantage it was—of taking the valuation of the property as if it were still in the hands of the original owner. It is true that we applied the loss carry-forward and carry-back principle in a broader way than it had been employed in our law before, but it was not the invention of Mr. Paul. The loss carry-back was known to the First World War Excess Profits Tax Act. That is to say, under that act corporations were permitted to carry back losses which had been incurred.

The only thing that has happened is this: We allowed the old railroad corporations the loss carry-back and carry-forward provision which we put in the law in 1942. They did not particularly need any permission to keep the same basis of valuation, but we did allow them the loss carry-back and carry-forward provision, for this reason:

The railroads, among other corporations, were before the committee asking for a deferred maintenance allowance. We had long hearings on that subject. They said, with a great deal of reason, "We cannot make improvements. We cannot keep our properties up during this war period into which we are entering, and we therefore want a deferred maintenance allowance." Innumerable other corporations were before the committee asking for an inventory depreciation allowance so that they could take care of their rapidly declining inventories at the end of the war.

We decided—and Mr. Paul, of course, was general counsel of the Treasury at that time, and participated in the decision, and agreed to it—that we would apply the loss carry-back principle so as to take care, perhaps not of all cases—it is to be doubted whether we did take care of all cases—but many cases. The railroads were given particular consideration. Even the new corporation acquiring the property of a defunct, bankrupt railroad or railroads had the right to take the valuation of the old companies. Now the new corporation wishes, without further study, to have the loss carry-back of the old corporation. It wishes to carry back its losses and make adjustments.

There are new questions injected into this issue, and we ought to have an opportunity to study them. In all fairness, we expect to study them, and we wish to do whatever is equitable and right. But it cannot be overlooked that any court, or the Interstate Commerce Commission, might require something vastly different in a reorganization plan if it knew that this additional great advantage was to be given to a railroad coming out of receivership, perhaps even before we enact the law.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. WHEELER. Of course, the Commission and the courts are supposed to look into this problem. In passing upon the reorganization of a railroad, they look forward to the earnings, and the amount of money the corporation must pay in taxes, as well as the amount of money it is to receive in refunds. I do not know whether that has been done in this particular instance. It would make a great deal of difference in my vote on this bill. Certainly I do not wish to do anything that is unfair to the railroads in this instance, but I would not vote in favor of such a provision without any hearings having been held, either before the committee of the House or the committee of the Senate. I understand that no hearings were held on this matter before the House committee and that no hearings were held upon it before the Senate Finance Committee.

Mr. GEORGE. The Senator is correct. That is the position the committee took, namely, that this amendment could be eliminated without prejudice, for the purpose of providing an opportunity to conduct hearings and to ascertain what were the real equities of a new company in a case where a new charter was obtained or had to be obtained. That is the only reason why we have come before the Senate asking that the House provision be rejected, namely, so that we may make the study and render real equity to the railroads.

Remedial tax measures of this charter can always be made retroactive, and no ultimate harm would be done to the railroads if we were to find that this provision was not too broad and in every case would do substantial equity.

Mr. LANGER. Mr. President, will the Senator yield to me?

Mr. GEORGE. I yield.

Mr. LANGER. Does not the Senator think it is rather unfair to bring up an amendment of this sort at this late hour, after 7 o'clock in the evening, after we have had a long discussion of the Bretton Woods agreements? I am very grateful to the Senator from Wisconsin for giving us the information which he did, because if I had voted against adoption of the committee amendment I would have voted wrong. What is the hurry in this matter, Mr. President, I inquire?

Mr. GEORGE. Mr. President, if the Senator is right now, there will be no regrets.

Mr. LANGER. I am right now, but there may be something in the measure on which I would vote wrong.

Mr. GEORGE. Let me say to the Senator that the real purpose of getting the bill through the Senate at this time is in order to permit the House to consider it before it adjourns. The House of Representatives is preparing to adjourn on

Saturday evening. If any amendment is to be made on which the House of Representatives will have to act, we should get the bill to the House of Representatives tomorrow. The real purpose of the bill is, not to give relief to the taxpayers, but to improve the taxpayers' position, so as to enable them really to plan for the reconversion period, inasmuch as they are now being cut back in their contracts.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. TAFT. I have been interested in the statements regarding the possible situation in the House of Representatives. Of course, if the committee amendment prevails, any Member of the House of Representatives could prevent passage of the bill, because all he would have to do would be to object to the amendment. In other words, if we wish to have speed in the passage of the bill, we had better pass the bill as it is, with the railroad provision in it. I do not think the Senator can properly urge that the committee amendment should be adopted in order to speed action on the bill, because that might result in complete delay of the bill until the House of Representatives returns. I understand that only approximately 100 Members of the House of Representatives are now in the city, and that any objection whatever could block passage of the bill by the House of Representatives.

Mr. GEORGE. Mr. President, of course the Senator is correct; but that would be a responsibility for the House of Representatives to assume, if it felt that it should take that responsibility.

Mr. GURNEY. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. GURNEY. I wonder if it would not be a long time before the railroads would have another opportunity to secure the proposed relief. In other words, we will not have another tax bill until approximately a year from now; is that correct?

Mr. GEORGE. No; I would not make that statement. We have already been making a study for the transitional and postwar period, and we will continue it with renewed energy during the recess and when we come back following the recess.

Mr. GURNEY. It was my understanding that another tax measure will not be passed by the Congress until next spring, and that, therefore, if we are to secure relief for the railroads it will have to be done in this bill, or else it will have to wait until the next tax year.

Mr. GEORGE. No, Mr. President; of course, I would not say when we will take up the next tax bill.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

Mr. BURTON. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. BURTON. I understand that a vote "yea" will be to strike out the House provision, and that if we wish to retain the House provision we must vote "nay."

The PRESIDENT pro tempore. That is correct.

The question is on agreeing to the committee amendment. [Putting the question.]

Mr. LA FOLLETTE and Mr. GEORGE requested a division.

Mr. MILLIKIN. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. MILLIKIN. I should like to understand what the vote is to be. If we vote "yea" what will we be voting for?

The PRESIDENT pro tempore. A vote of "yea" will be a vote to strike out the House language.

On this question a division has been requested.

On a division, the amendment was agreed to.

The PRESIDENT pro tempore. The bill is still open to amendment.

Mr. MURDOCK. Mr. President, I send to the desk an amendment, which I ask to have stated.

Mr. WHERRY. Mr. President, I should like to call up an amendment.

The PRESIDENT pro tempore. The Senator from Nebraska was on his feet some time ago, endeavoring to obtain recognition; and the Chair now recognizes him.

Mr. WHERRY. Mr. President, since I have the floor, I should like to ask the present occupant of the chair if there are any further committee amendments to be disposed of?

The PRESIDENT pro tempore. There are no further committee amendments to be considered.

Mr. WHERRY. I now offer the amendment which is at the desk, and ask to have it stated.

The PRESIDENT pro tempore. The amendment will be stated.

The LEGISLATIVE CLERK. The following amendments are proposed:

Page 1, line 11, strike out "1945" and insert "1944" and strike out "1946" and insert "1945."

Page 2, line 4, strike out "1946" and insert "1945."

Page 2, line 7, strike out "1945" and insert "1944."

Page 2, line 24, strike out "1945" and insert "1944."

Page 2, line 25, strike out "1945" and insert "1944" and strike out "1946" and insert "1945."

The PRESIDENT pro tempore. The Chair asks the Senator from Nebraska if the language stated does not constitute merely a change of dates, and the Chair asks whether the amendments cannot all be voted upon en bloc?

Mr. WHERRY. This is correct.

The PRESIDENT pro tempore. Without objection, that course will be pursued.

Mr. WHERRY. Mr. President, for the benefit of the Members of the Senate I should like to state that the amendment would simply grant retroactive to January 1, 1945, the increased exemption from $10,000 to $25,000 extended for the tax year 1946. There has already been some discussion of the amendment on the floor of the Senate. I have talked at various times during the past week with the able chairman of the Finance Committee. I told him then, as I am telling the Senate now, that the members of the Senate Small Business Committee feel that one of the aids we can give to small business today will be to grant the immediate relief requested under the provisions of this amendment.

I should like to say that the amendment is sponsored jointly by the junior Senator from Montana [Mr. MURRAY], our present most able chairman of the Small Business Committee, the junior Senator from Tennessee [Mr. STEWART] and, from this side of the aisle, the junior Senator from Indiana [Mr. CAPEHART], and myself.

The amendment is self-explanatory. As the distinguished chairman of the Finance Committee has already stated, the amendment would apply to approximately 45,000 small business corporations in this country this tax year. It would apply for the next year, and to about 31,000 corporations the following year.

As I understand the situation, the only objection made to the adoption of the amendment is based on the fact that for the taxable year 1945 there would be a loss in revenue of $235 000,000 and, on the basis of the estimates—and I grant that the estimates probably are correct—a loss of perhaps $160,000,000 for 31,000 businesses for the taxable year 1946. So, in all, if the estimates are correct, the amount would be approximately $400,000,000.

Mr. President, I doubt very much if the estimate of $160,000,000 for the second year is really and truly a safe guide to follow, because no one can tell what will happen. During the reconversion period we might gain so many businesses that the amount of revenue to be received would more than offset the amount of loss.

Mr. President, I should like to read a telegram which has been recently received. It is a sample of hundreds of telegrams which have come to the Small Business Committee. It is similar to the testimony which has been taken in all four corners of the United States, from scores of persons representing various lines of business who have asked for this proposed tax relief. The telegram reads, as follows:

Trust you will use your influence to make proposed $25,000 exemption in new tax bill effective as of January 1, 1945, instead of 1946. This, in my opinion, would be most encouraging to small business and the returning servicemen considering establishing themselves in business. Besides small business will be called upon to absorb first shocks of unemployment because it will take large businesses more time to readjust.

The sender of the telegram is the president of an association which is producing merchandise for this country. I believe that most of the members of his association would be classed among the 45,000 who are asking for this additional exemption. He is not alone in that respect; neither is the Small Business Committee; nor are the businessmen of the country.

I have talked with the chairman of the Senate Finance Committee, and I am sure that he feels this exemption

should be granted the small businessmen at the present time, if it were possible to do so. I have even talked to the distinguished chairman of the Ways and Means Committee of the House of Representatives. I believe that if it were not for the time element involved, and the mechanics of the passage of the proposed measure, the chairman of the Ways and Means Committee of the House would be favorable. I am sure he desires to see small business favored as much as possible, although I am quite certain from what I have heard that, because of the time element involved, he feels that the bill should be passed as it came to the Senate from the House of Representatives. I am not quoting him nor the distinguished Senator from Georgia [Mr. GEORGE], but I know they both feel kindly toward granting relief to small business to the extent that it can be done.

Mr. President, in his report to the President, Justice Byrnes made a statement last March, as follows:

Before the manufacturer returns to production he will want to know something more than the ceiling price. He will want some idea about taxes in order to determine whether there will be a profit in his business. Everybody cannot be an employee. There must be an employer if people are going to get jobs. Before a man puts his own money and asks his friends to put money in a business, he wants to know that there is some prospect of his making a profit.

The excess-profits tax is a war tax. With the ending of the war there should be an end to excess-profits taxes. It cannot be done upon VE-day because we will still have war production and war profits, but the administration and the leaders of the congressional committees might well announce an intention to urge the elimination of the excess-profits taxes when the war with Japan is at an end.

I have only two more short paragraphs which I wish to read.

In another report which Justice Byrnes made to the President on March 31, 1945, which was after the report which I just read, he stated as follows:

In my report to the President and the Congress on January 1, I stated that a major reduction in tax rates should not be made until Japan has been defeated. At that time I recommended three tax revisions which I believe would not significally reduce tax revenues but would encourage business to prepare for expanded output after the war is won.

Here is the point which I should like to stress to the Members of the Senate.

These three measures include: (1) The acceleration of depreciation allowances—the President has publicly approved this suggestion; (2) the easing of the financial condition of corporations, handicapped through lack of capital in carrying out their reconversion plans, by making immediately available after VE-day—

That was the end of the war in Europe. I continue reading:

a part of their postwar refund of excess-profits tax, and by reducing correspondingly the compulsory savings provision in the excess-profits tax; and (3) an increase in the excess-profits tax specific exemption from the present $10,000 to $25,000.

That is the point in this amendment about which we are talking. I am reading what was advocated by Justice Byrnes, and which was submitted in his report to the President of the United States.

I continue:

These revisions are desirable in the period between VE-day and VJ-day and I renew my recommendation for their early consideration by the Congress.

By the adoption of this amendment we would do exactly what Justice Byrnes suggested in his report to the President of the United States and we would be doing it at the proper time.

Mr. President, I have one more point I wish to stress. The distinguished chairman of the Senate Finance Committee, in making his opening statement in behalf of the bill, stated that the committee wanted to accomplish two things. The committee has accomplished a great deal through the proposed bill. I thank the committee for it. I think the committee has done a splendid piece of work. As I recall the remarks of the distinguished chairman of the committee, he said that it was the desire to put small business in a strong position and to permit it to reconvert now for 1946. That is exactly what the amendment would permit being done. It holds open to those who need relief the knowledge that the tax question has been adjudicated. Its effect goes back to January 1945. That means that small business will obtain relief through the legislation if it be now adopted. Certainly we should afford them such relief. The only objection which can be brought against the amendment is on the ground that the Government would lose $400,000,000 in revenue if the prediction and judgment of some prove to be correct.

Mr. President, in conclusion, I wish to say that I do not want to restate what has already been said in connection with the consideration of the Bretton Woods program.

Mr. FULBRIGHT. The Senator used the figure of $400,000,000. That is not correct.

Mr. WHERRY. The first year the amount would be $235,000,000, and the second year it would be $160,000,000. I obtained the figures from the chairman of the committee. I was told that the loss would be approximately $400,000,000.

Mr. FULBRIGHT. The Senator's amendment would not cause a total loss in that sum.

Mr. WHERRY. The Senator is correct, and I thank him for the correction. I thought I made it plain that the first year the amount would be $235,000,000 and that in the second year it would be $160,000,000. I accept the correction of the distinguished junior Senator from Arkansas and thank him for it. It makes my case so much stronger.

Mr. President, in conclusion I should like to say that I feel seriously that the 45,000 small business corporations to which I have referred would not only be benefited, but that a greater benefit would result from a clarification of the tax question.

All the veterans who return and want to go into business will see what the tax structure is. It will help the reconversion process of all businesses which have taken war contracts, and I think in the end that while there will be loss of revenue of $235,000,000, but so many more firms will be induced to start to reconvert and establish themselves in business that not only will we recover a large amount of that loss, but the second year we will recover more than the $160,000,000 which it is said will be the loss involved for that year.

Mr. BARKLEY. Mr. President, I wish to say just a word about the amendment. I think the Senate should understand that the House voted on this specific proposal under a special rule when the tax bill was under consideration in the House, and defeated it by a substantial majority. I think the vote was in the neighborhood of about 120 to 95. So that the House has passed on the proposal, and we would run a very decided risk in sending the bill back to the House with this amendment on it. In view of the parliamentary situation, if, the House having passed upon it and defeated it, we should return it under the conditions which exist in the House, in view of the pending adjournment, I think we would run a very great risk that the bill would not be enacted at all at this time.

Two billion, one hundred and thirty-five million dollars may not seem to be much money in one sense of the word, but in another sense it is a good deal of money. The difficulty about the situation is that the corporations which operate on a calendar year basis have already set aside what will be equal to 6 months' taxes, and have passed that on to the public. The public, in the purchase of goods which are manufactured by these companies, has already paid one-half of this year's taxes. Those companies which operate on a fiscal-year basis have already paid their taxes, and this would involve refunds covering that portion of the fiscal year which goes back to the first day of January.

So, Mr. President, it seems to me that these three reasons should militate against the adoption of the amendment now.

Mr. WHERRY. Will the Senator yield?

Mr. BARKLEY. In a moment. I know how sympathetic all of us are to small business. I am myself, and I am as anxious, by reduction of taxes or any other way, to help small business. But we have here a practical situation. We have all been showered with communications about this matter. They have come to all of us from all over the country. We frequently have that situation to confront, and we have to exercise judgment in determining now whether we shall take a chance in sending the bill back carrying an amendment which the House has voted on, and run the risk of not getting any legislation.

I now yield to the Senator from Nebraska.

Mr. WHERRY. The argument the Senator is making would be an equally good argument against the action on the committee amendment.

Mr. BARKLEY. Oh, no; it is an entirely different thing.

Mr. WHERRY. The bill will have to go back to the House for action on the Senate committee amendment.

Mr. BARKLEY. Yes; but the situation is not one in which the House refused to put something on a bill and we send it back with that included.

Mr. WHERRY. But we will have to send it back to the House for them to accept the Senate amendment.

Mr. GEORGE. Mr. President, actually what took place in the House is that those who were opposed to the provision which was just stricken out were not given any opportunity to vote on it, because it was brought in under a restricted rule, but the particular amendment which the Senator is now offering was actually voted upon in the House and voted down. So that we would know full well that the House would not take this amendment, and we would simply run the risk of tying up the benefits which he want to give. We are giving to the small corporations full release from all excess profits taxes after December 31 of this year. In all fairness, I think they should be satisfied with the situation.

Mr. BARKLEY. I thank the Senator from Georgia for emphasizing the point I was just about to make, that we would endanger the relief we are providing in the bill for all corporations which come under it, and for that reason I think the amendment should not be agreed to.

Mr. WHERRY. Mr. President, I shall ask for a yea-and-nay vote on the amendment. I feel that this is one of the most important amendments which have been before the Senate in connection with any tax bill, and the businessmen of this country are intensely interested in this proposed amendment. It does seem to me that if we can give relief to the amount of billions of dollars for people across the water, as was done today in the passage of the Bretton Woods legislation, we can do the same thing to help stabilize our own American economy. Businessmen are asking for it, and I should like to have a yea-and-nay vote.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. O'MAHONEY. I should like to offer one consideration. I knew nothing about this amendment until the Senator spoke for it, and I am very sympathetic with what he has had to say, but it appears now, from what has been stated by the Senator from Georgia and the Senator from Kentucky, that in the House of Representatives a record vote was taken upon the matter. That brings about this parliamentary situation, that if the Senate should add this amendment to the bill, when it goes to the House, some of the Members of the House will feel themselves morally bound to point out to the House that the Senate is asking the House to reverse a record vote. It seems to me that that would endanger the whole bill and therefore endanger the relief which the Senate desires.

What I am pointing out is that I would imagine some member of the Committee on Ways and Means would feel himself obligated to say to the House, "This amendment reverses the record vote of the House," and I think it would endanger the whole bill.

Mr. GURNEY. Mr. President, will the Senator from Nebraska yield?

Mr. WHERRY. In a moment. I wish to thank the Senator from Wyoming for his contribution. My reason for asking for a record vote was that I felt that after it was stated that a record vote was had in the House, it would be necessary to have a record vote here if we were to send the bill back.

Mr. O'MAHONEY. Oh, yes.

Mr. WHERRY. Of course, we will have to do that.

Mr. O'MAHONEY. I am not objecting to a record vote.

Mr. WHERRY. I asked for a record vote.

Mr. O'MAHONEY. I am not objecting to a record vote; I am merely calling the attention of the Senator to the fact that since the House had a record vote upon this matter, if we undertake to ask the House now to reverse its action, we do so knowing that there are fewer Members of the House present than were present when the vote was taken.

Mr. WHERRY. I think the point is well taken, and I thank the Senator. I want the Finance Committee to know that I do not desire to cause any difficulty; I want to cooperate 100 percent. But I do know that the members of the Small Business Committee have gone throughout the length and breadth of this land, and the telegram to which I have referred is not unusual. We have had telegrams for days and weeks and months asking for this remedial provision, and I have made definite commitments that this amendment would be offered to this tax bill. I am quite sure that the distinguished chairman of the Finance Commitee knows I talked to him about it. I wanted to get it into the bill. I wanted the committee to accept it, and I feel so deeply about it that I feel we should have a record vote.

Mr. GURNEY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. GURNEY. I merely wish to point out to the Senator from Nebraska that the argument the Senator from Wyoming used could have been used against the railroad amendment, which was defeated here a few minutes ago, because the House had a vote of 240 to 91, or something in that neighborhood, in favor of the provision, which the Senate rejected.

Mr. O'MAHONEY. Mr. President, that is an incorrect statement of fact, if I am correctly advised. There was no record vote in the House upon the railroad amendment at all.

Mr. GURNEY. I know nothing about it except that the statement was made that a record vote was taken.

Mr. BARKLEY. Mr. President, will the Senator from Nebraska yield?

Mr. WHERRY. I yield.

Mr. BARKLEY. I merely wish to say that the railroad amendment was put in the House bill at the last moment by the committee. There was no separate vote on it, and it would have required a rule to get a separate vote. They did have a rule for a vote on the proposal of the Senator from Nebraska, and had a record vote under the rule.

Mr. WHERRY. The statement did not come from me. I think what the distinguished Senator from South Dakota referred to was the vote on the amendment I offered.

Mr. WHEELER. Mr. President——

The PRESIDING OFFICER (Mr. HILL in the chair). Does the Senator from Nebraska yield to the Senator from Montana?

Mr. WHERRY. I yield.

Mr. WHEELER. I feel very sympathetic to what the Senator from Nebraska has said, and to his amendment, but I do wish to say that I think the Senator is jeopardizing the whole piece of legislation by offering the amendment, because if it should be adopted, my information is that it would have to be submitted to the House again, and with a majority gone, one Member could hold it up, whereas as to the other amendment, the chances are that that would not happen. I think if the amendment should be adopted it would jeopardize the only relief the small businessmen will get, and, much as I am in sympathy with the amendment, I think, frankly, it is a mistake to offer it at this time.

The PRESIDENT pro tempore. The question is on agreeing to the amendments en bloc offered by the Senator from Nebraska [Mr. WHERRY].

Mr. WHERRY. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. GEORGE. Mr. President, I suggest the absence of a quorum. But before the roll is called I should like to make a statement. Adoption of the amendment is a very certain way of defeating this tax legislation. I suggest most respectfully to Senators that this is a worth-while bill if we are really going to approach realistically the whole reconversion program. If there is to be any benefit under this bill it will take the Treasury at least a couple of months to prepare and send out all the necessary forms and instructions, and not until the last quarter of this year can the Treasury begin to take action under the bill.

I now suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Hatch	Myers
Austin	Hawkes	O'Daniel
Ball	Hickenlooper	O'Mahoney
Barkley	Hill	Radcliffe
Briggs	Hoey	Revercomb
Brooks	Johnson, Colo.	Robertson
Buck	Johnston, S. C.	Russell
Burton	Kilgore	Saltonstall
Bushfield	La Follette	Smith
Butler	Langer	Stewart
Byrd	Lucas	Taft
Capehart	McClellan	Taylor
Cordon	McKellar	Thomas, Okla.
Donnell	McMahon	Tunnell
Ellender	Magnuson	Wheeler
Ferguson	Maybank	Wherry
Fulbright	Mead	White
George	Millikin	Wiley
Guffey	Mitchell	Willis
Gurney	Murdock	Young
Hart	Murray	

The PRESIDENT pro tempore. Sixty-two Senators having answered to their names, a quorum is present.

Mr. WHITE. Mr. President, much as I admire the Senator from Nebraska, I cannot support the amendment he has offered, and I have the earnest hope that he will not press it to a final vote at this time.

Mr. President, there are two reasons which motivate me in the position I am taking. In the first place, the pending legislation comes before this body sanctioned by the tax experts of the Senate of the United States. It comes here with the approval of men who have served on the Finance Committee of the Senate for long periods of time and who are the authorities on the tax problems of the Senate of the United States if anyone can qualify as a tax expert. This amendment does not have the approval of that committee.

I submit in the first place that it is a very dangerous thing, a thing of doubtful wisdom, to attempt on the floor of this body to amend a tax bill which has had the sanction of this standing committee of the Senate of the United States.

But beyond that, and as a very practical matter, so it seems to me, Mr. President, we are simply asking the House to rebuff us if we adopt this amendment, in the light of the present circumstances. It appears clear that the House acted definitively and by a record vote on substantially the same amendment, and decided against it by an overwhelming majority of the Members of that body. It is simply inconceivable to me that with the reduced membership of the House, with most of that body now away from this city, a minority of the total membership of that House will allow to come to a final vote and will adopt there an amendment which the House with full membership has definitely passed on and definitely rejected. I feel that if the amendment were adopted by the Senate it would be nothing but a futility on our part, which would cause us embarrassment and regret and accomplish nothing else.

So I myself cannot support the amendment of the Senator from Nebraska, and it would bring great pleasure to me if he felt it wise in all the circumstances to withdraw his amendment.

Mr. WHERRY. Mr. President, I am very thankful to the minority leader for his statement of the reason why he cannot support the amendment. If I felt as he does I would not support it either. But Mr. President, it is not a question of our likes or dislikes. If there is anything I could do for him or for the majority leader I would do it. But we have been talking about this relief for 6 months. It has been asked for by Justice Byrnes.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. BARKLEY. The Senator I think will admit that in Mr. Justice Byrnes' statement he did not anywhere suggest a retroactive tax provision, which this is. The Senator's amendment is retroactive, and nowhere did Justice Byrnes suggest that.

Mr. WHERRY. He asked that relief be given between VE-day and VJ-day. That is where we are. This amendment has been talked about for months, from one corner of the land to the other. I do not know whether the committee considered it or not.

Let me say this for the Senator from Georgia [Mr. GEORGE]. No one could have been finer to me. He has done everything he could do. I realize the parliamentary situation, and I am indeed sorry for it. At the same time, I think the record ought to be made as to how we feel about it, and I think if the House is in session we ought to act on the amendment, if we want to give relief to the businessmen of the country.

We give billions of dollars to nations across the ocean; but when it comes to giving a little relief at home to help stabilize our economy, we run up against this technicality and that technicality. Members of the House want to go home, and we cannot do anything unless we get together by Saturday night. I am ready to stay here all summer. I think that when we come to a piece of legislation which is as important as this, to stabilize the economy of 45,000 small businessmen, we ought to stand up and be counted, not only in the Senate, but also in the House. I think we ought to have a record vote, and we ought to send the amendments back to the House and ask the House to accept the Senate position. That is the reason I am forced to ask for a yea-and-nay vote. I hope the amendments will be agreed to.

I regret exceedingly that we have a parliamentary situation which in any way embarrasses the distinguished chairman of the Committee on Finance, because I hold him in as high regard as I do any other Member of the Senate.

Mr. MURRAY. Mr. President, I am supporting the amendments offered by the distinguished Senator from Nebraska. I think it would be very unfortunate if the technicality which has been advanced should prevent the Senate from acting favorably on these amendments. It seems to me that something must be done for the small concerns which are telegraphing to our committee complaining about the situation. They are unable to get materials for reconversion, and they face months of idleness in many parts of the country as a result of their failure to obtain materials.

It seems to me that the least we should do to aid them in the reconversion period is to adopt these amendments, which would advance the period of exemption up to 1945. I therefore hope that the Senate will accept the amendments.

The PRESIDENT pro tempore. The question is on agreeing to the amendments offered by the Senator from Nebraska, which are being considered en bloc. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BUTLER. I have a pair with the senior Senator from Alabama [Mr. BANKHEAD]. I transfer that pair to the senior Senator from Idaho [Mr. THOMAS] and will vote. I vote "yea."

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent because of illness.

The Senator from Florida [Mr. PEPPER] is absent because of the death of his father.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Texas [Mr. CONNALLY], the Senators from Rhode Island [Mr. GERRY and Mr. GREEN], the Senator from Louisiana [Mr. OVERTON], the Senator from Utah [Mr. THOMAS], and the Senator from Maryland [Mr. TYDINGS] are absent on public business.

The Senator from Florida [Mr. ANDREWS], the Senator from Mississippi [Mr. BILBO], the Senator from Kentucky [Mr. CHANDLER], the Senator from New Mexico [Mr. CHAVEZ], the Senator from California [Mr. DOWNEY], the Senator from Mississippi [Mr. EASTLAND], the Senator from Arizona [Mr. HAYDEN], the Senator from Nevada [Mr. MCCARRAN], the Senator from Arizona [Mr. MCFARLAND], the Senator from Texas [Mr. O'DANIEL], the Senator from New York [Mr. WAGNER], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

I also announce the following general pairs:

The Senator from New York [Mr. WAGNER] with the Senator from Kansas [Mr. REED].

The Senator from Utah [Mr. THOMAS] with the Senator from New Hampshire [Mr. BRIDGES].

Mr. WHERRY. The Senator from New Hampshire [Mr. BRIDGES] has a general pair with the Senator from Utah [Mr. THOMAS].

The Senator from Kansas [Mr. REED] has a general pair with the Senator from New York [Mr. WAGNER].

The Senator from California [Mr. JOHNSON] is unavoidably absent.

The Senator from Idaho [Mr. THOMAS] is absent because of illness.

The Senator from Iowa [Mr. WILSON] is absent on official business.

The following Senators are unavoidably detained on public business:

The Senator from Kansas [Mr. CAPPER], the Senator from Oklahoma [Mr. MOORE], the Senator from Minnesota [Mr. SHIPSTEAD], the Senator from New Hampshire [Mr. TOBEY], and the Senator from Michigan [Mr. VANDENBERG].

The result was announced—yeas 30, nays 31, as follows:

YEAS—30

Aiken	Ferguson	Robertson
Ball	Gurney	Russell
Brooks	Hawkes	Smith
Buck	Hickenlooper	Stewart
Burton	Johnson, Colo.	Taft
Bushfield	Langer	Thomas, Okla.
Butler	Mead	Wherry
Capehart	Millikin	Wiley
Cordon	Murray	Willis
Ellender	Revercomb	Young

NAYS—31

Austin	Hoey	Murdock
Barkley	Johnston, S. C.	Myers
Briggs	Kilgore	O'Mahoney
Byrd	La Follette	Radcliffe
Donnell	Lucas	Saltonstall
Fulbright	McClellan	Taylor
George	McKellar	Tunnell
Guffey	McMahon	Wheeler
Hart	Magnuson	White
Hatch	Maybank	
Hill	Mitchell	

NOT VOTING—34

Andrews	Gerry	Reed
Bailey	Glass	Shipstead
Bankhead	Green	Thomas, Idaho
Bilbo	Hayden	Thomas, Utah
Brewster	Johnson, Calif.	Tobey
Bridges	McCarran	Tydings
Capper	McFarland	Vandenberg
Chandler	Moore	Wagner
Chavez	Morse	Walsh
Connally	O'Daniel	Wilson
Downey	Overton	
Eastland	Pepper	

So Mr. WHERRY's amendments were rejected.

Mr. MURDOCK. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDENT pro tempore. The amendment offered by the Senator from Utah will be stated.

The LEGISLATIVE CLERK. On page 28, after line 11, it is proposed to insert the following:

That section 23 (m) of the Internal Revenue Code is amended by adding the following at the end of the first paragraph thereof:

"All expenditures for wages, fuel, repairs, hauling, supplies, and so forth, incident to and necessary for the drilling of wells and the preparation of wells for the production of oil or gas may, at the option of the taxpayer, be deducted from gross income as an expense or charged to capital account. In addition to the foregoing option, the cost of drilling nonproductive wells at the option of the taxpayer may be deducted from gross income for the year in which the taxpayer completes such a well or be charged to capital account returnable through depletion as in the case of productive wells."

SEC. 2. (a) Taxable years beginning after December 31, 1944: The amendment made by section 1 shall be applied to all taxable years beginning after December 31, 1944, but shall not be deemed to grant a new option to any taxpayer who has exercised an option in accordance with regulations in force prior to the enactment of this joint resolution.

(b) Taxable years beginning prior to January 1, 1945: If, in computing income and profits taxes for any taxable year beginning prior to January 1, 1945, the taxpayer deducted intangible drilling and development costs from gross income as an expense and such deduction was taken in accordance with an option granted under regulations then in force, such deduction shall be deemed to be allowable under the law applicable to such taxable year.

Mr. MURDOCK. Mr. President, if I may have the attention of the Senate, I shall hurriedly state the purpose and effect of the amendment and what it would accomplish. A recent statement in an opinion of the Fifth Circuit Court of Appeals was to the effect that its decision involving a regulation of the Bureau of Internal Revenue in the identical language of my proposed amendment could have involved adjustments of $1,000,000,000 in income taxes. For years a regulation promulgated by the Treasury Department granted to the taxpayer engaged in the business of drilling oil well the option of either charging to his expense account the intangible expenses and costs of drilling an oil well or charging them to his capital account. That regulation has been a part of the Treasury regulations under the tax law for several years.

Recently, in a tax case, a taxpayer claimed deductions, as expenses, of the intangible costs of drilling certain oil wells. The validity of the deductions was challenged, disallowed by the Commissioner of Internal Revenue, and the taxpayer appealed to The Tax Court.

The Tax Court held that, notwithstanding the regulation, in that particular case the intangible costs of drilling could not be charged as expenses and must be charged to the capital account.

The case was appealed by the taxpayer to the Federal Circuit Court for the Fifth Circuit. The circuit court held that the regulation was violative of the tax laws involved and hence void, and decided against the taxpayer, affirming the decision of the Tax Court.

After that decision was rendered, the Bureau of Internal Revenue on March 29, 1945, following the decision of the Federal circuit court—which, as I recall, was on March 5, 1945—handed out the following statement:

Special ruling, March 29, 1945.

Deductions: Depletions: Deductibility of oil- and gas-well drilling costs as expenses.

Mr. President, I wish to have the Senate pay strict attention to this statement issued by the Commissioner of Internal Revenue:

Notwithstanding the decision of the fifth circuit in the *F. H. E. Oil Co. case* (45-1 U. S. T. C., sec. 9200) that the option given by regulations to treat as expense oil and gas well drilling costs is contrary to law, the Bureau of Internal Revenue will continue to follow the provisions of section 29.23 (m)-16 of regulation 111, and corresponding provisions of prior regulations. In the event of a clarification of the law impelling a change from the rule applied in the regulations, in no event would such a change be retroactive unless so directed by Congress.

Mr. President, as a result of that statement we have the strange anomaly that a bureau has said to the taxpayers of the United States that, notwithstanding a decision of a Federal circuit court of appeals that a regulation is violative of the statutes and hence void, it—the bureau—will administer the regulation as it has in the past.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. MURDOCK. I yield.

Mr. LUCAS. Do I correctly understand that the Bureau of Internal Revenue held that the court really violated the law in making the decision which it did?

Mr. MURDOCK. The Senator is correct. The regulation and statement which I have just read simply provide in substance—I do not wish to repeat them—that notwithstanding a decision of the Federal Court of Appeals for the Fifth Circuit holding void and contrary to law a certain regulation, the Bureau of Internal Revenue will ignore the decision and will continue the regulation in force, as it has done in the past.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. MURDOCK. I yield.

Mr. CORDON. Do I correctly understand that the decision of the Court of Appeals has become final, or is there a further appeal in the matter?

Mr. MURDOCK. I was coming to that point. After the first decision of the Court was handed down and after the statement to which I have referred was made by the Bureau of Internal Revenue, due to the tremendous amount of tax adjustments that might be involved, to wit, $1,000,000,000—as was set out in the briefs of counsel for the oil companies—a rehearing of the matter was had.

In the rehearing the Federal court said that because of the fact that $1,000,000,000 in tax adjustments might be involved, instead of holding, as it had in its first decision, that the regulation was wholly void, it would hold in the second decision, on the rehearing, that the facts in the case did not come within the regulation. The court in its decision on the rehearing limited its application to just the cases before it and without holding the regulation generally invalid. But the court maintained, as it did in the first case, that when an oil well is drilled as the consideration for acquisition of an interest in oil property, the expense of drilling the well cannot be considered as an expense, but must be considered as a capital expenditure.

Mr. LUCAS. Then, am I correct in understanding that that decision is final?

Mr. MURDOCK. It is final insofar as that Court is concerned.

However, we have the following very strange anomaly—and I hope Senators will pay attention to this: The court upheld the Commissioner of Internal Revenue; and after the Commissioner was upheld by the Court's decision, he said, "Notwithstanding the decision, the regulation still stands." It was after this statement that the court modified its decision as I have heretofore indicated.

Mr. President, on how many occasions have we heard Senators on both sides of the aisle condemn legislation because of provisions holding that the findings of fact of bureaus could not be interfered with by a Federal court? How often have we heard legislation challenged on the floor of the Senate because there had not been an adequate appeal to the courts from the decisions of bureaus? However, under the circumstances which I now relate, we have had a complete reversal of that situation, and we find a bureau defying a Federal court. Stranger than that, we find the Congress of the United States, for the first time in its entire history, resorting to a concurrent resolution, which I will later place in the RECORD, in order to set the Congress up as an appellate court for the purpose of interpreting the laws of the country, and in so doing condemning the decision of a Federal court.

Many Senators have said they believe in the absolute independence of the judiciary. I ask those Senators to give attention to what is being done right here in the Halls of Congress.

Mr. President, I ask unanimous consent that the decision of The Tax Court in this case be printed in the RECORD at this point as a part of my remarks

There being no objection, the decision was ordered to be printed in the RECORD, as follows:

OPINION

Hill, Judge: We are first called upon to determine whether petitioners are entitled to deduct from income in each of the taxable years in question "intangible drilling and development costs" incurred in the drilling of nine oil wells on leased property. The amounts expended are not in controversy. Petitioners assert that regulations 101, section 23 (m)-16,[1] and the identical provision

[1] Art. 23 (m)-16. Charges to capital and to expense in the case of oil and gas wells.—(a) Items chargeable to capital or to expense at taxpayer's option:

(1) Option with respect to intangible drilling and development costs in general: All expenditures for wages, fuel, repairs, hauling, supplies, etc., incident to and necessary for the drilling of wells, and the preparation of

of regulations 103, granting to them an option to deduct such expenditures or to charge them to capital, apply in this proceeding.

If they do, then petitioners must prevail, for they previously exercised the option in favor of deducting intangible drilling and development costs. However, respondent contends that the option does not extend to such costs incurred under the facts here, on the ground that the drilling and completion of the wells in question were a part of the consideration for the acquisition of rights under the several leases and assignments.

Thus, we have a clear-cut issue and one which is new only as it bears upon the particular facts which are here before us. The principle to be applied is settled. It is well stated in *Hardesty* v. *Commissioner* (127 Fed. (2d) 843), as follows:

"The ultimate question for decision, therefore, is whether or not the oil wells drilled in this case were drilled as consideration for the assignment of the undivided interests in the oil properties; for if they were drilled as consideration for the assignment, the drilling and development costs are not deductible under the regulation but must be treated as a capital expenditure. * * *"

The answer to this question has recently been held determinative under similar facts in *Hunt* v. *Commissioner* (135 Fed. (2d) 697); *Stansylvania Oil & Gas Co.* v. *Commissioner* (135 Fed. (2d) 743); and *Walsh* v. *Commissioner* (135 Fed. (2d) 701). So it is in the present proceeding.

Petitioners first attack the principle itself and the conclusions reached in the above cited cases which support it. They argue that there exists no basis for an exception in instances where drilling is performed as a part of the consideration for capital interests acquired. Hence, they say, cases refusing the option in such instances are incorrectly decided and should not be followed. We are not impressed by this contention.

Petitioners' further contentions are advanced upon the premise that the Hardesty case and the others in its line apply solely to instances where drilling is expressly stated in the lease instrument as constituting a consideration for the property rights which passed thereunder. Proceeding upon this premise, petitioners seek to distinguish the facts here except as to their acquisition of interests in 15.4375 acres of the McKinzie tract from McMeans, King, Madigan, and Cheatham. Save as noted, petitioners allege, in short, that under the terms of each instrument in evidence they were not obligated to drill; that they could not be forced to respond in damages for failure to drill; and that drilling provisions were conditions subsequent, the failure to perform which merely resulted in the divesting of title to property which had vested in them upon the execution of the particular instrument. They urge these circumstances as taking the case without the ambit of the Hardesty case and the rule there applied and, conversely, as placing it within that of regulations 101, section 23 (m)-16, supra.

Petitioners' contentions beg the question. As we have indicated, the determinative inquiry to be made is whether the drilling of the wells constituted a part of the consideration for the interests which petitioners acquired in the several tracts. This inquiry is not limited to a casual examination of the leases and assignments to ascertain if the parties therein expressly stated that drilling was "consideration" for the grant. Nor can the question be resolved by noting that the drilling provisions have the aspect of conditions rather than covenants or promises. A conclusion based upon this distinction would exalt words over substance. Moreover, the answer is not dependent upon whether the leasehold interests be regarded as vesting upon the execution of the leases or assignments, subject to defeasance for nonperformance of conditions, or upon the completion of wells upon each of the leased tracts.

In *United States* v. *Sentinel Oil Co.* (109 Fed. (2d) 854), the court said:

"Appellee attempts to distinguish the State Consolidated case from the instant one, by the fact that in the former case title to the property was not to pass until after the property owner had received his $1,400 from the proceeds of the well, while in the instant case title passed upon the execution of the contract. We do not think that this distinction changes the situation. In both cases the drilling expenditures were the consideration for the passing of title to the land."

We do not unders nd the Hardesty and other recently reported decisions as requiring varying answers contingent upon variables in terminology used in the leases. Petitioners err in assuming that they stand for any such amorphous distinction. While it may be true that the instruments considered in these cases did contain express provisions to drill, the decisions were based, as we have said, upon the fact that the drilling was a consideration for the interests acquired, not upon the formalities of conveyancing.

With the foregoing explanation of the principle involved and the contentions of the parties, we come to a consideration of the real question. The several leases and assignments through which petitioners claim to have acquired rights and interests in the first seven tracts listed in the findings of fact may be considered together. In each instance the property was leased for the purpose of mining and operating for oil and gas and for a purely nominal consideration. In each instance the instrument contained a clause which provided, in substance, that unless the petitioners commenced an oil well within a certain number of days and diligently prosecuted the drilling to completion the lease and assignment would terminate as to both petitioners and their grantors. These instruments, consequently, fall within the category of the "unless" form of lease which terminates ipso facto upon the failure to exercise the option granted. *Bowes* v. *Republic Oil Co.* ((Mont., 1927), 252 Pac. 800). The usual "unless" lease contains a provision entitling the lessee to extend the time during which he must drill to avoid termination by the payment of a specified rental. However, no so-called delay rental clauses are here involved. Such a printed clause was deleted in one of the leases covering the Standard of Kansas tract and was expressly subordinated to the typed drilling provision in the other. Although not so stated in the lease, construction requires that the printed delay rental provision be held subordinate to the typed drilling provision in the lease involving the First National Bank tract. *Habermel* v. *Mong* (31 Fed. (2d) 822). None of the other instruments contain a delay rental clause. In view of the expressed limitation of the grants, the nominal consideration, the provisions for drilling within a period measured in days, and the refusal to accord options to extend the period by the payment of rentals, it appears obvious that the primary purpose of these leases and assignments was to procure the drilling of wells to test the underlying structure for oil. It cannot be gainsaid that the essence of the consideration for such leases and assignments was the drilling of the wells in question. *Chi.-Okla. Oil & Gas Co.* v. *Shertzer* ((Okla., 1924), 231 Pac. 877); *Investors' Utility Corp.* v. *Challacombe* ((Tex., 1931), 39 SW. (2d) 175).

The same conclusion obtains when the question is approached from the petitioners' standpoint. In this view it is necessary to determine what interests petitioners had in each tract, as grantees, after the date of each lease or assignment but before a well was completed on the tract. As we have indicated above, petitioners contend that they had a fee interest, subject to termination upon breach of condition subsequent and, since they were thus drilling upon their own property, that the deduction for intangible drilling costs must be allowed. However, petitioners misconceive the legal effect of their "unless" leases and assignments. These instruments did not confer upon petitioners a title to the several tracts, but merely gave to them a privilege of going upon the land for the purpose of drilling a well. The effect of the "unless" lease with a delay rental clause was stated by the Circuit Court of Appeals for the Fifth Circuit in *Gillespie* v. *Bobo* (271 Fed. 641), wherein the court said:

"Such instruments as the one in question have been passed on frequently by the courts of Texas. It is well settled by the decisions of those courts that such an instrument confers on the so-called lessee a privilege for the specified time, with the option to secure the extension of the privilege for an additional period upon complying with the prescribed condition, and that time is of the essence of such a provision as the one above set out. *Ford* v. *Barton* (Tex. Civ. App.) (224 S. W. 268); *Bailey* v. *Williams* (Tex. Civ. App.) (223 S. W. 311); *Young* v. *Jones* (Tex. Civ. App.) (222 S. W. 691); *Ford* v. *Cochran* (Tex. Civ. App.) (223 S. W. 1041)."

The court in that case further said:

"The consequence of a failure to do what is required to acquire a right or thing is not a forfeiture of it. * * * The equitable rule as to relieving against forfeitures has no application to the case of a failure of a holder of an option to do, within the fixed time, what is required to acquire the thing which is the subject of the option. Equity does not undertake to dispense with compliance with what is made a condition precedent to the acquisition of a right."

The instruments here conferred merely the same rights upon petitioners as the lease involved in the Gillespie case gave to the lessee, less the option to secure an extension of time. Petitioners had no capital interest in the property until the wells were commenced and completed in accordance with the terms of the drilling provisions. It follows that such provisions could not be conditions subsequent terminating an interest theretofore obtained. The Supreme Court of Texas takes a like view. In *Waggoner Estate* v. *Sigler Oil Co.* (19 S. W. (2d) 27, 30), that court said:

"A clause similar to the first [this clause provided that if no well was commenced on the land or on before June 1, 1919, the lease should terminate as to both parties] was referred to is a dictum in *Texas Co.* v. *Davis*, (113 Tex. 331, 254 S. W. 304, 255 S. W. 601), as creating a condition subsequent; that effect having been ascribed to it by distinguished counsel on both sides, and by the learned judges writing the majority and minority opinions in the Court of Civil Appeals (232 S. W. 549). This may have arisen from failure to recognize a distinction between the customary 'drill or pay' clause and the 'unless' clause. The clauses under consideration in the Davis case and here come within the class of 'unless' clauses. The correct rule seems to be that, while

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wells for the production of oil or gas, may, at the option of the taxpayer, be deducted from gross income as an expense or charged to capital account. Such expenditures have for convenience been termed intangible drilling and development costs. * * *

(2) Option with respect to cost of nonproductive wells: In addition to the foregoing option the cost of drilling nonproductive wells at the option of the taxpayer may be deducted from gross income for the year in which the taxpayer completes such a well or be charged to capital account returnable through depletion and depreciation as in the case of productive wells.

the usual 'drill or pay' clause in an oil lease does introduce a condition subsequent, for the benefit of the lessor alone, yet, as said by Mr. Summers, 'where the "unless" drilling clause is used, a failure of the lessee to drill or pay a stipulated sum of money ipso facto terminates the lease, without the necessity of reentry, action or their equivalents by the lessor. For this reason the interest created in the lessee by such lease cannot be one terminable by breach of condition subsequent.'"

In that case the Supreme Court of Texas further clearly indicates the determinative characteristic of a condition subsequent as applied to oil and gas leases as follows: "As stated in Justice Bonner's opinion, under a limitation the estate granted is automatically terminated on the happening of stipulated events, while under a condition subsequent the lessor has the election to terminate or continue the contract after breach of the condition."

Under the "unless" provision of the leases and assignments in the instant proceeding the failure to perform the condition to drill would ipso facto terminate the conrtact as to both parties. In such event the lessor or assignor would have no right of election to terminate or to continue the contract. Hence, such condition was not a condition subsequent.

In Chi-Okla. Oil & Gas Co., an oil and gas lease required the drilling of a test well within a specified time and provided that the failure so to drill would ipso facto terminate the lease. The Supreme Court of Oklahoma stated in its opinion therein that—

"As the right of the lessee to the possession of any part of the lands depends upon his entry for the purpose of prospecting for the minerals, the mere grant of such right by the terms of the lease does not operate, in praesenti, to vest an estate in the lands in the lease. *Lowther Oil & Gas Co.* v. *Miller-Sibley Oil Co.* (53 W. Va. 501, 44 S. E. 433, 97 Am. St. Rept. 1027.)"

The quoted pronouncement of the Oklahoma Supreme Court is applicable to the facts here. It follows that the vesting of an estate under the lease there involved and similarly under the leases and assignments here involved occurred only upon the performance of the condition to drill the test well. Such condition was, therefore, not a condition subsequent to the vesting of title but was a condition precedent to such vesting. It is obvious that there can be no divestiture of title by the failure to perform a condition the performance of which is necessary to the vesting of title.

We think it clear that the right to oil and mineral in place, obviously a capital asset, accrued to petitioners under each "unless" instrument only upon the drilling of the well. The exercise of the privilege to drill was the assumption of the obligation to drill, the performance of which was the primary consideration for the leasehold interest in each tract. Petitioners drilled not to prevent the loss of something already acquired or to avoid liability for damages, but to acquire the thing for which the drilling was required as consideration, namely, title to oil in place. Since the intangible drilling and development costs here involved arose in connection with the drilling of the first well on each tract, it is apparent from the foregoing discussion that they form a part of the consideration for and constitute capital expenditures in the acquisition of the First National Bank, Standard of Kansas, Dodge, M. K. Carter, A. W. Johnson, Burkitt, and Betz-Robinson tracts. Accordingly, such costs may not be deducted but can be recovered only through depletion allowances. *Hardesty* v. *Commissioner, supra; Hunt* v. *Commissioner, supra; Walsh* v. *Commissioner, supra; Hugh Hodges Drilling Co.* (43 B. T. A. 1045); *Nunn-Stubblefield Oil Co.* (31 B. T. A. 180).

We next consider the question in relation to the drilling of the dry hole on the Monnig tract. In each instance the assignment to petitioners was not executed until after they had drilled on the property. Petitioners drilled to enjoy the avails of a contract whereby the first parties agreed to assign their leasehold interest in the tract provided petitioners performed a positive undertaking to drill. Performance was required in order to obtain any interest in the tract which was the subject of the contract. In the final analysis the position of the parties was practically identical to that existing in respect to the "unless" type instruments. Under the latter, leasehold interests automatically became vested in petitioners when the drilling requirement was performed, while here the passing of title was contingent upon the execution of a further instrument, the assignment itself. However, in both cases petitioners were entitled to no interest in oil in place until a well was drilled. Clearly the drilling of the well on the Monnig tract also was a consideration for the interests acquired. See *Nunn-Stubblefield Oil Co., supra,* wherein the material facts are undistinguishable from those here giving rise to the Monnig leasehold.

Petitioners contend that the rule of the Hardesty case does not apply where the well turns out to be as here a dry hole. There is no merit to this contention. *United States* v. *Sentinel Oil Co., supra.* Regardless of the outcome, the drilling operation was undertaken as a part of the consideration for the assignment of the lease. The option accorded by the regulations to expense the cost of nonproductive wells extends only to situations in which such a well is drilled by the taxpayer on land in which he has a fee interest.

The instruments in evidence to sustain the deduction claimed respecting the McKinzie tract present a different picture. By the agreement dated November 4, 1938, petitioners specifically agreed to commence and continue a well as part of the consideration for the assignment of interests in 11.25 acres. Petitioners were released from the obligation as to 2 acres 3 days later. Drilling was likewise expressly made a consideration for the assignment of H. F. Cheatham's interest in 6.1875 acres of the McKinzie tract. Hence, in respect of 15.4375 acres in this tract petitioners clearly drilled the well as a consideration for the acquisition of a capital asset and petitioners concede as much. None of the other instruments in evidence, however, contain any reference whatever to drilling. Accordingly, petitioners contend that they need capitalize only so much of the intangible drilling costs of the McKinzie well as 15.4375 bears to 67.5. This contention is based upon the theory that their interests in the McKinzie tract embraced a total of 67½ acres and is made in reliance on *Hunt* v. *Commisioner, supra.*

The difficulty in following petitioners lies not with their general proposition, but in the state of the record. It is elementary that the burden of showing the respondent's determination to be erroneous falls upon the petitioners. Among other facts, petitioners here were each obliged to establish that they had an interest in each tract upon which they drilled; that the drilling was not consideration for the interests acquired; and, with respect to the McKinzie tract which raises the apportionment issue, the numerator and denominator of the ratio to be applied. To establish these matters in connection with the McKinzie tract petitioners offered in evidence 11 instruments, all of which were received. One was an oil lease covering a seven-sixteenths interest in a 67½-acre tract. However, this interest was granted to Carter & Gragg Oil Co., a partnership. There is nothing in the record which purports to show that petitioners acquired any interest whatever in this portion of the 67½-acre tract from Carter & Gragg, or anyone else. We cannot indulge in an assumption that they did.

Of the remaining 10 instruments, 3 were assignments of a one-tenth interest in a certain lease by which Alice McKinzie leased her undivided interest in the 67½-acre tract. Two instruments were assignments of a one-third interest in a certain lease by which other parties leased their undivided interest in the 67½-acre tract. We do not know the extent of the original lessors' interests in the tract, however, since the leases themselves were not offered in evidence and no testimony was given on this point. Consequently, we are unable to determine what interests petitioners obtained. Moreover, a one-sixteenth interest in the 67½-acre tract is altogether unaccounted for. It is obvious that proof of the denominator of the apportionment ratio is lacking to such a degree as to make any figure a mere guess. In these circumstances we must sustain respondent.

Furthermore, it is at once apparent that petitioners have failed to prove a right to expense the intangible cost of the McKinzie well upon a totally different ground. As we have stated, several of the assignments contained no drilling provisions. Upon this fact alone is based petitioners' contention that drilling could constitute no part of the consideration for the interests thus acquired. But as assignees of a lease petitioners acquired no greater rights than those of their assignor thereunder and were subject to all the obligations, conditions, and considerations imposed by the lease upon the assignor. None of the leases in relation to the McKinzie tract, except the lease to Carter-Gragg Oil Co., were offered in evidence and no evidence was offered as to the provisions thereof. Not having the information which such evidence would afford for consideration in connection with the provisions of the intervening assignments of the leases, we have no factual basis upon which to determine whether it is permissible under the regulations in question to expense the intangible drilling costs of the well drilled on such leased premises. We cannot, therefore, hold that respondent erred in denying the applicability of such regulations in respect of the drilling of such well.

This observation applies also to the State of the proof respecting petitioners' acquisition of interests in the A. W. Johnson, M. K. Carter, Burkitt, Betz-Robinson, and Monning tracts. In each instance the assignments covering these properties themselves contained drilling provisions which, as we have held, required drilling as a part of the consideration for the capital assets which petitioners acquired. This suffices to support our conclusion as to the drilling expenses on these tracts. However, had these assignments been silent regarding drilling or had drilling provisions therein been of a character not bringing them within the rule of the Hardesty case, we would still be obliged to approve the respondent's determination disallowing deductions for the intangible costs of the wells on these tracts, since neither the underlying leases nor their provisions are before us.

FHE was not a lessee under the lease conveying interests in the First National Bank tract. Fleming-Kimbell was not mentioned in the assignment of the leasehold interest in the Betz-Robinson tract. No evidence was offered to supply the missing links. Nevertheless, FHE claimed a deduction for intangible drilling expenses in connection with the First National Bank well and Fleming-Kimbell claimed one for similar expenses in connection with the Betz-Robinson well. It can not be said, and in fact is not contended that such expenses are deductible on the theory that petitioners, in the named instances, were merely acting as contractors drilling for others and so entitled to a business expense deduction, for petitioners did not actually do the drilling. The drilling was

contracted by them, not to them. Such expenses are not deductible by FHE in respect of the well on the First National Bank tract nor by Fleming-Kimbell in respect of the well on the Betz-Robinson tract, because of failure to prove an interest, respectively, in such tracts.

For the reasons discussed above we hold that petitioners are not entitled to expense the intangible drilling and development costs connected with any of the nine wells.

The second question in this proceeding is whether charitable contributions made by Fleming-Kimbell during the taxable year ended April 30, 1939, are to be deducted from gross income from the property in computing the limitation on percentage depletion pursuant to section 114 (b) (3) of the Revenue Act of 1938. Respondent claims that they are, while petitioners contend to the contrary.

The statute provides that the allowance for percentage depletion shall not exceed 50 percent of the net income of the taxpayer from the property (computed without allowance for depletion). The Commissioner has issued a regulation [2] defining the term "net income of the taxpayer from the property" for the purposes of this limitation. It requires that "gross income from the property" be reduced by the allowable deductions attributable to the mineral property upon which the depletion is claimed. *Montreal Mining Co.* (2 T. C. 688). It does not provide that gross income must be reduced by all the deductions which may be allowed the taxpayer by statute. The answer here turns upon whether the charitable deductions in question are attributable to Fleming-Kimbell's oil properties.

We do not think that they are so attributable. To be deductible as ordinary and necessary expenses under section 23 (a) of the Revenue Act of 1938, charitable contributions must have in a direct sense a reasonable relation to the business of the taxpayer corporation. However, the respondent makes no contention that the charitable contributions involved here were so closely related to Fleming-Kimbell's business as to make them deductible under section 23 (a). On the contrary, the parties seem to assume that the instant charitable contributions are of the character deductible only by virtue of section 23 (g) of the Revenue Act of 1938, which permits the deduction of certain contributions up to a limited amount regardless of their connection with a corporate taxpayer's business. Charitable contributions thus deductible do not appear to constitute deductions attributable to the mineral property upon which depletion is claimed within the meaning of the quoted regulations. On this issue, we sustain the petitioner.

Reviewed by the court.

Decisions will be entered under Rule 50.

Mr. MURDOCK. I ask unanimous consent that the statement of the Bureau of Internal Revenue be printed in the RECORD at this point as a part of my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

[Sec. 6180.] Special ruling, March 29, 1945.

Deductions: Depletion—Deductibility of oil and gas well drilling costs as expenses.—Notwithstanding the decision of the fifth circuit in the *F. H. E. Oil Company case* (45–1 U. S. T. C., sec. 9200), that the option given by regulations to treat as expense oil and gas well drilling costs is contrary to law, the Bureau of Internal Revenue will continue to follow the provisions of section 29.23 (m)–16 of regulation 111, and corresponding provisions of prior regulations. In the event of a clarification of the law impelling a change from the rule applied in the regulations, in no event would such a change be retroactive unless so directed by Congress.

Back reference: Section 29.23 (m)–16 at 451 C. C. H., section 298.088.

Following is the text of a letter to Mr. Wesley E. Disney, Southern Building, Washington, D. C., dated March 29, 1945, and signed by Joseph D. Nunan, Jr., Commissioner (symbols, IT: EV: NR: LPA):

"Receipt is acknowledged of your letter dated March 28, 1945, with reference to the procedure which the Bureau proposes to follow in the application of the regulation relating to intangible drilling and development costs for oil and gas wells.

"The Bureau proposes to continue to follow the provisions of section 29.23 (m)–16 of regulations 111, and corresponding provisions of prior regulations, notwithstanding the decision in the case of *F. H. E. Oil Company* (45–1 U. S. T. C., sec. 9200). In the event of a clarification of the law impelling such a change, in no event would such a change be retroactive unless so directed by Congress."

Mr. MURDOCK. I ask unanimous consent that two decisions of the United States circuit court of appeals be printed in the RECORD at this point as a part of my remarks.

There being no objection, the decisions were ordered to be printed in the RECORD, as follows:

IN THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT—No. 11167—F. H. E. OIL CO., PETITIONER, v. COMMISSIONER OF INTERNAL REVENUE, RESPONDENT; AND FLEMING-KIMBELL CORP., PETITIONER, v. COMMISSIONER OF INTERNAL REVENUE, RESPONDENT

PETITIONS FOR REVIEW OF DECISIONS OF THE TAX COURT OF THE UNITED STATES

(March 6, 1945)

Before Sibley, Holmes, and Waller, circuit judges:

Sibley, circuit judge: This consolidated case concerns income taxes for the years 1939 and 1940, and particularly the parts of Art. 23 (m) (16) of Regulation 101 and Regulation 103 applicable in those years, reading as follows: "(1) * * * All expenditures for wages, fuel, repairs, hauling, supplies, etc., incident and necessary for the drilling of wells and the preparation of wells for the production of oil or gas may, at the option of the taxpayer, be deducted from gross income as an expense or charged to capital account * * *; (2) in addition to the foregoing option the cost of drilling nonproductive wells at the option of the taxpayer may be deducted from gross income for the year in which the taxpayer completes such a well or be charged to capital account rturnable through depletion as in the case of productive wells." A number of wells were sunk by the taxpayers in each of the tax years, all of them productive except one. The taxpayers, in accordance with their prior practice, sought to deduct as expense the "intangible costs" defined in the above quotation, but the Commissioner disallowed the deductions, holding that the entire cost of the well was in each instance a capital investment. The Tax Court upheld the Commissioner. Four judges dissented, agreeing with the majority that the costs of drilling were capital expenditures, but thinking the regulations clearly gave the taxpayers the option they claimed. See 3 Tax Court 13, where the facts are fully stated.

For the purpose of this review it is enough to say that the productive wells were drilled on leases made or assigned to the taxpayers on nominal considerations, without any obligation on their part to drill, but providing that unless a well should be made within a limited number of days their rights and interests should cease. The unproductive well was made under an assignment of a lease with retained royalties, made pursuant to a contract which bound the taxpayer within 30 days to commence and prosecute with diligence a test well to a stated depth. The assignment stood good, although the test well failed.

A regulation giving the option which is in dispute has existed, with increasing complexity, since 1918, and has recently been broadened. The legislative mind of the Treasury Department seems determined to maintain the option. The administrative mind, represented by the Commissioner and his lawyers, and supported generally by the courts, is bent on whittling it away. The question of its validity has seldom been raised, the taxpayers not wishing to attack it because it favors them, and the Commissioner not being in position to repudiate the regulation of his own department. The judges have not thought it their business to raise the question; but if the option be in truth, contrary to the revenue statutes, it is void, and it is the duty of the judges to declare and uphold the law, and disregard the regulation.

The option to treat as expense what is in fact, as all of the judges of The Tax Court agree, a capital investment, conflicts with the law in two important respects. First, the Congress, repeating what has been in the statutes from the beginning of income taxation, provides in section 23 (a) of the Revenue Code, for the deduction of business expenses and defines them. Section 24 provides: "No deduction shall in any case be allowed in respect of * * * (2) any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate." Under section 23 (b) and (m) the exhaustion of capital investments is to be cared for by depreciation and depletion allowances from year to year. Second, the Congress has provided specially for depletion and depreciation (which are both allowances for wasting capital investments) in the case of oil and gas wells in section 114 (b) (3), giving the taxpayer a flat depletion allowance of 27½ percent of the gross income from the property, but not less than if computed by the usual formulas. This depletion allowance includes and returns the investment in the well as well as the oil and gas in place, and when the percentage allowance is taken there can be no additional allowance by way of depreciation of the well. *United States* v. *Dakota-Montana Oil Co.* (288 U. S. 459). But this regulation purports to allow the intangible drilling cost to be deducted as an expense, and when oil and gas are produced the full 27½ percent allowance may again be taken under the statute, giving the driller of successful gas or oil wells a double deduction not permitted by Congress.

The regulation is supposed to be authorized by section 23 (m), "In the case of mines, oil, and gas wells, other natural deposits, or timber, a reasonable allowance for depletion and for depreciation of improvements, according to the peculiar conditions in each

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[2] ART. 23 (m)–1. Depletion of mines, oil and gas wells, other natural deposits, and timber; depreciation of improvements.—

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(h) "Net income of the taxpayer (computed without allowance for depletion) from the property," as used in section 114 (b) (2), (3), and (4) and articles 23 (m)–1 to 23 (m)–28, inclusive, means the "gross income from the property" as defined in paragraph (g) less the allowable deductions attributable to the mineral property upon which the depletion is claimed * * * including overhead and operating expenses, development costs properly charged to expense, depreciation, taxes, losses sustained, etc., but excluding any allowance for depletion. Deductions not directly attributable to particular properties or processes shall be fairly allocated.

case; such reasonable allowance in all cases to be made under rules and regulations to be prescribed by the Commissioner, with the approval of the Secretary." The power given is to regulate depletion and depreciation allowances; not to regulate expense deductions, or to give options or double deductions. Early regulations determined that an oil well is so intimately a part of the oil reserve which it reaches as to be a part of it, not capable of removal, useful only to get the oil, and perishing in value as the oil is exhausted; so that its cost ought to be returned by depletion along with the cost of the oil, and not by ordinary depreciation based on the physical deterioration of the structure. Such regulation was held to be valid in *United States* v. *Dakota-Montana Oil Co., supra,* and that it was adopted into the percentage measure of depletion when Congress provided that measure in the Revenue Act of 1926. The court in that case (288 U. S., p. 461) took note of the option in controversy in these words: "Article 223 (regulation 69) purports to permit the taxpayer to choose whether to deduct costs of development and drilling as a development expense in the year in which they occur or else to charge them to capital account returnable through depletion. In the latter event, which is the case here, etc." Nothing was said as to the validity of the other choice, and so far as we have discovered, nothing has ever been said by the Supreme Court.[1]

In this court the option given by the regulation has never been attacked, and has generally been accepted as valid, though almost every effort to narrow it has succeeded. In *Commissioner* v. *Rowan Drilling Co.* (130 Fed. (2d) 62), the double deduction spoken of above occurred. The taxpayer drilled wells for an interest in the oil, and took an expense deduction for the intangible drilling costs. In a later year the 27½ percent depletion allowance was taken. He had recovered already the entire intangible drilling costs, but was held entitled to the percentage depletion for all years to come as though he had not. The court said the allowance of the expense deduction was wrong, but could not be corrected in the pending case.

In the whittling down of the option, although given in most comprehensive words, the Commissioner has been sustained by this court in denying the right to treat such drilling costs as expense when the taxpayer contracts with another for a completed well for a fixed price. *Hughes Oil Co.* v. *Bass* (62 F. (2d) 176). The taxpayer was said thereby to buy a well, a capital investment. But the Commissioner was held to his regulation when the contract to drill the well was on a cost-plus basis, in *Commissioner* v. *Ambrose* (127 Fed. (2d) 47), no one attacking the regulation. A similar result was reached in *Retsall Drilling Co.* v. *Commissioner* (127 Fed. (2d) 355). In *Hardesty* v. *Commissioner* (127 Fed. (2d) 843), it was held the regulation did not apply to every taxpayer who drills an oil well, but only to one developing his own oil property; and where one having no interest in the oil property drilled a well in consideration of obtaining an interest in the well and the property, he made a capital investment and could deduct no part of the cost as expense. Again in *Hunt* v. *Commissioner* (135 Fed. (2d) 697), the Commissioner ruled, and this court agreed, that where oil interests were acquired under contracts to drill wells, the driller made capital investments and could have no option to deduct any costs as expenses; but where he already had a half interest and thus acquired an additional half he could deduct a proportional part of the intangible drilling costs. One judge then for the first time argued that the true reason for disallowing expense deductions in the Hardesty and Hunt cases was that the part of the regulation giving the option was void, since the making of a producing well by one who owned the oil reserve, or became entitled thereby to an interest in it, was a capital investment returnable only through depletion under the statute.

In the present case the Commissioner has again narrowed the application of the option by asserting that "the taxpayer" does not include one who owns an interest in the oil property, and is not bound to drill, but who unless he does so in a limited time will, by the terms of this lease or assignment, lose his interest. The majority opinion of The Tax Court holds that he who thus drills to keep his interest is in the same case as is he who drills to obtain an interest, and that in drilling he makes a capital investment, no part of which can be called expense. The minority opinion points out that the applicable regulation purports to give the option to every taxpayer who drills on his own account an oil and gas well, saying nothing about when or on what conditions he got or is to get his title.

The minority is right as to what the regulation says. The majority is right in holding that the regulation in giving an optional expense deduction cannot prevail against the fact that a capital investment, an "improvement or betterment of the estate or property" has been made, for by the statute the cost of such cannot be deducted as expense, but can be recouped only by annual allowances for depletion or depreciation. The Hardesty case and the main part of the Hunt case are similarly right. The taxpayers before us, though it be allowed that they owned an interest in the oil property when they drilled (but only for a few days unless they drilled) and though they did not have to drill by force of any contract, still in drilling were improving and bettering the property which they had and at the same time perfecting their title to it. For both reasons they were making a capital expenditure by drilling, as much so as if making any other permanent structure. The cost, none of it, was an expense of business any more than similar costs in building a house would be. As applied to such an outlay, the option is contrary to law.[2]

The only case in an appellate court broadly upholding the option to which we have been cited is *Ramsey* v. *Commissioner* (66 Fed. (2) 316), reaffirmed by the same court, though the option was denied application, in *Grison Oil Co.* v. *Commissioner* (96 Fed. (2) 125). In the Ramsey case the taxpayer owned his leases outright and voluntarily drilled on them through contractors on a footage basis of payment. He was allowed to expense his intangible drilling costs under the then regulation. In a later year he sold the leases and in returning the profit sought to reduce it by including in his cost basis the entire cost of the well. Of course, he should not have been allowed, on general principles, to include as cost what he had been permitted to treat as expense, but the court thought the validity of the option in the regulation should be determined, and upheld it. The first argument put forward was: "Whether an oil well is a permanent improvement is at least a debatable question. * * * The hole is of value only if oil is found, and then only as long as the sands will produce." It seems to us clear that a producing well is a permanent improvement. It costs more in many cases than the land in which it is constructed, and multiplies many times the value of the oil it reaches. It is permanent, because not intended to be removed, and indeed incapable of removal as a whole. It is not temporary, though its useful life is limited. Many buildings put up for special purposes have a useful life less than their physical life. That fact only increases the proper rate of annual depreciation or depletion. We are not impressed by this argument. The other argument was that the regulation had long existed and the revenue statutes had been reenacted with their relevant parts substantially unchanged. This argument is, of course, good where a regulation resolves statutory ambiguities or uncertainties, but is of no force at all when a regulation is contrary to the terms of the statute. It is not the business of Congress to review and revise regulations. The Congress in every revenue act has defined expenses and stated plainly what could not be treated as expense; and has provided for oil and gas wells modes of depletion for returning the capital invested in them. If these provisions contravene prior regulations, instead of approving the regulations they annul them. The Ramsey case indeed dealt with a regulation prior to 1926, and before the Congress first enacted the flat percentage depletion for oil and gas wells, which is incompatible with expensing drilling costs, because the whole cost of the well is supposed to be covered in the percentage depletion, as settled by the Dakota-Montana Oil Co. case, supra.

In the special circumstances here The Tax Court has unanimously held as a matter of fact that the wells were drilled under such circumstances as that the drillers were making capital investments. The evidence and the law supports that finding. The statute overrides the regulations and forbids deducting any of the drilling costs as expenses, providing instead that they be absorbed by depletion. Whether the cost of any unproductive well, after abandoning it and salvaging what is salvable, can be treated as a realized loss is not here in question.

Judgment affirmed.

Waller, circuit judge, concurring in the result.

IN THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT—No. 11167—F. H. E. OIL COMPANY, PETITIONER, v. COMMISSIONER OF INTERNAL REVENUE, RESPONDENT, AND FLEMING-KIMBELL CORPORATION, PETITIONER, v. COMMISSIONER OF INTERNAL REVENUE, RESPONDENT

PETITIONS FOR REVIEW OF DECISIONS OF THE TAX COURT OF THE UNITED STATES

On motion for rehearing, May 4, 1945, before Sibley, Holmes, and Waller, circuit judges.

Sibley, circuit judge: A vigorous motion for rehearing, supported by an exhaustive brief, contends that the decision is wholly wrong, and especially that the cost of drilling the "dry hole" should have been deducted as an expense of business or as a loss realized. Upon an assertion that the whole oil producing business is affected by the argument of our opinion to the effect that the option to deduct the drilling cost of a successful well, as given by regulation of the Treasury Department, is contrary to the statute and wholly void, we permitted briefs to be filed by 30 counsel for other oil producers as amici curiae.

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[1] In *F. H. E. Oil Co.* v. *Helvering* (308 U. S. 104), the taxpayer had elected to deduct drilling costs as expense, and had been allowed to do so. No one questioned the propriety of the deduction. The controversy was over another part of the regulation which required that such an expense deduction would apply in ascertaining the 50 percent of net income to which the statute limited the percentage deduction for depletion. That part of the regulation was upheld as an interpretation of the depletion statute, and resolving an ambiguity in it as to the meaning of net income. No opinion was asked or expressed as to the validity of the expense option.

[2] *Hogan* v. *Commissioner* (141 F. (2d) 92) and *Choate* v. *Commissioner* (— U. S. —) deal with equipment, and not with the well itself, or the intangible cost of drilling it.

No new and controlling decisions are cited. It still appears that only the tenth circuit has squarely considered the validity of the option in the light of the statute and has sustained it, and that was before the introduction into the statute of percentage depletion on oil wells. With this exception all the appellate courts, including the Supreme Court and this court, have treated the option as allowable, because no one attacked it. The decisions about other related provisions of the regulations are not in point. They express no considered opinion on the option itself. What is new in the briefs is the assertion, which we take to be true, that probably a billion dollars of corrections might result in expense deductions in tax returns made within the statutes of limitation, if the option is invalid. Also new is the contention that in the Second Revenue Act of 1940 there is language now found in Internal Revenue Code, section 711 (b) (1) (I), as amended in the excess-profits amendment of 1941, which refers to the deduction in the past of intangible drilling and development costs in drilling oil wells, the argument being that Congress evidently had in mind the option to do this given by the various regulations, and did not disapprove. Certain it is that the option has been acted on widely, and for many years, and courts and Congress have done nothing drastic about it. A total annulment of it, retroactive in its operation, would have grave effect on persons not before this court. We should therefore go no further than our duty takes us in deciding this case; we should decide it only.

While we see no fault in our previous reasoning, and think the former opinion a right one to have been rendered 20 years ago, we find it unnecessary to consider so broadly the validity of the option and now confine our decision, as the majority of The Tax Court did, to a holding that wells drilled to get an oil property, or to get a better and more extensive interest in it, are so clearly capital investments in that property that no part of their cost can be called an expense of business. The question whether a successful oil well on property which the driller fully owns is a permanent improvement, as is an artesian water well on a ranch, or a tunnel for a railroad, or the underground part of a large building, in all of which the cost of "making a hole in the ground" is plainly a part of the capital investment, we can and do lay to one side. The question we must decide is whether one who does not own an oil property and who agrees to make a well to obtain an interest in it (as in *Hardesty* v. *Commissioner* (127 Fed. (2d) 843) and *Hunt* v. *Commissioner* (135 Fed. (2d) 697)), or as in this case, who has an interest for a few days only unless he makes a well, and makes it in order to enlarge and extend his temporary interest, thereby makes a capital investment which cannot be a mere business expense under the statute. The answer is in both cases, "Yes." He is putting out his money to acquire property, and acquires it. It is not an ordinary expense of business, as these parties asserted it was in their petitions to The Tax Court, and the regulation cannot make it such; or what is worse, give the taxpayer an option to treat it as such.

Now as to the dry hole. If we were discussing permanent improvements, which like other capital investments are not ordinary business expenses, of course the fact that the well did not reach oil and was abandoned would be most material. If one drilled such a well on his own property, he would probably have either a right to a deduction as for an expense or as a business loss, for he has only a valueless hole in the ground. This alternative was claimed in the petition to The Tax Court. It was denied because the well, while drilled on a lease assigned to the taxpayer, was drilled as the consideration for the assignment, the contract binding the assignee to make the well in a stated time, and providing that if he did not his assignment should terminate. He drilled the well as the price of his interest in the property. Although this well failed, he still has the assigned lease. We understand that there are other producing wells on the same lease. But if the property he thus acquired proves valueless, he must realize his loss by a disposition of it, just as though he had paid money for it.

The motion for a rehearing is denied and the judgment of The Tax Court stands affirmed.

Waller, circuit judge, specially concurring:

I think that The Tax Court was justified in holding that the cost of drilling a well on each of the nine tracts was a part of the consideration for the assignment of the lease to the taxpayer where, as in this case, the lease could not be kept alive by the payment of an annual rental but required drilling, termination, or reversion within a certain time, so long as the holdings of this court in *Hardesty* v. *Commissioner* (127 F. (2d) 743), *Hunt* v. *Commissioner* (135 F. (2d) 697), *Stansylvania Oil and Gas Company* v. *Commissioner* (135 F. (2d) 743), and *Walsh* v. *Commissioner* (135 F. (2d) 701) are unreversed.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. MURDOCK. I yield.

Mr. FERGUSON. What was the date of the decision of the circuit court of appeals on the rehearing? Has the time expired for filing the petition for the writ of certiorari?

Mr. MURDOCK. The date of the decision was May 4, 1945.

Mr. FERGUSON. Does the Senator know whether or not a petition has been filed for a writ of certiorari?

Mr. MURDOCK. I do not think certiorari will be applied for. Why? Because the oil interests and the Bureau of Internal Revenue, although they were opposed to each other in the cases, both take the position that the regulation is legal, and that they intend to apply it.

Mr. FERGUSON. In other words, both parties are satisfied with the decision.

Mr. MURDOCK. In my opinion they should be satisfied, but evidently they are not satisfied.

Mr. GEORGE. I wish to say, in order that there may be no confusion in the RECORD, that of course the case is still appealable. Ninety days have not yet expired. The taxpayer is not satisfied with his case because he lost it, but he lost it on another ground. The Bureau of Internal Revenue did not ask for a decision holding the regulation to be invalid. The court made that finding. The Treasury insisted that it should be given the decision on other grounds. There is nothing in this bill about oil, rules of computing expenses, capital deductions, or anything of that kind. This matter is wholly extraneous to the bill.

Mr. MURDOCK. Mr. President, I cannot yield further. I frankly admit that there is nothing about oil in this tax bill. However, when we have a situation such as that with which Congress is confronted today, and there is afforded an opportunity to remedy that situation, I say it is the duty of Congress to remedy it whether there is any mention made in the bill of oil or not. It is a tax bill. It is stated to be for the relief of the taxpayer. If there is a billion dollars of tax adjustments involved in this matter, certainly now is an appropriate time to remedy the situation.

What the Senator from Georgia [Mr. GEORGE] has said, if I understood him correctly, was true. The Treasury Department challenged the regulation on the basis of the facts involved in this case. But the court, in the first instance, although it referred to that fact, said in effect this: When the court finds that, even though the validity of the statute is not challenged, a regulation contravenes and violates the statute, then the court on its own initiative should so hold. But when it was called to the attention of the court at the second hearing that to hold that the regulation retroactively was invalid would involve the adjustment of a billion dollars in taxes, then it said that probably on account of that fact it should not hold that the regulation was invalid in its general application nor invalid retroactively, but that its ruling should be applied specifically to this case. That in effect was what the court did.

In considering the question involved, the court returned again to the question of whether or not expenditures such as were claimed by the taxpayer should be deducted as expense, and again stated it to be the law that under the facts in this case the option contained in the regulation could not be legally exercised or claimed.

Mr. FERGUSON. The court finally held that the regulation was invalid under the facts of the particular case.

Mr. MURDOCK. The Senator is correct, and I shall read two or three lines from the rehearing decision. I cannot believe, Mr. President, when I read the report of the Ways and Means Committee of the House of Representatives, and when I read the report of the Senate Finance Committee, that a careful reading of these decisions was had. It seems to me that what was done in connection with Concurrent Resolution 50 was done haphazardly. That is the reason that tonight, although the hour is late, I earnestly plead with my colleagues in the Senate not to do what is contemplated being done in Concurrent Resolution No. 50. If the oil industry is entitled to the regulation, and it is the law, as the chairman of the Finance Committee in his report has said it is, and as the chairman of the Ways and Means Committee of the House of Representatives has said it is, it is our duty to write it into the statute so that there can be no question about it.

Mr. President, I wish to read only a few lines from the decision. It reads as follows:

> The question we must decide is whether one who does not own an oil property and who agrees to make a well to obtain an interest in it—

Citing certain cases—

> or as in this case, who has an interest for a few days only unless he makes a well, and makes it in order to enlarge and extend his temporary interest, thereby makes a capital investment which cannot be a mere business expense under the statute. The answer is in both cases, "Yes."

That he cannot charge it as expense, but that it must be charged to his capital account.

He is putting out his money to acquire property, and acquires it. It is not an ordinary expense of business, as these parties asserted it was in their petitions to the Tax Court, and the regulation cannot make it such; or what is worse, give the taxpayer an option to treat it as such.

Can there be any doubt in the mind of any lawyer here what the court held? The court held that under these facts the regulation was invalid and the taxpayer could not under the statutes of the United States have an option either to charge it as expense or to capital account.

The court did not back up at all, except that it decided that a general application of their decision retroactively involved too much tax adjustment, and for that reason they modified that part of the former decision which held the regulation generally and retroactively invalid.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. MURDOCK. I yield.

Mr. FERGUSON. The Senator is now asking that that be changed, and that the taxpayer be given the option?

Mr. MURDOCK. My amendment takes the regulation in question, the very language of it—the language which the chairman of the Committee on Ways and Means of the House says is the law, the language which the chairman of the Finance Committee of the Senate says is the law, and which is contained only in a regulation today, but which a Federal court says is not the law—and writes it into the law, so that there can be no question in the future as to whether the regulation is law or not.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. MURDOCK. I yield.

Mr. CORDON. As I view it, the Senator's amendment is in effect a legislative declaration of the law in accordance with the understanding of the law of the chairmen of both committees which have dealt with the question.

Mr. MURDOCK. That is exactly what my amendment does. It takes the Finance Committee of the Senate at its word, it takes the House Committee on Ways and Means at its word, and takes the action of the House which sustained the Ways and Means Committee, and I say to both committees and to the Senate, if this is the law, then let us write it into the law, as we should do as a legislative body.

Mr. FERGUSON. Is not this the fact, that the important consideration is not what a Member of this body or a Member of the House may say is the law, but what a court determines to be the law?

Mr. MURDOCK. Now the Senator is putting his finger right on the crux of the whole thing. I believe, and I believe all Senators here agree, in the separation of powers as between the three departments of government. I believe that that separation of power is the very foundation of our constitutional system, and I say tonight that whenever this body, or whenever the Congress as a whole, encroaches on the judiciary or encroaches on the Executive, we violate the Constitution, just as we accuse the Executive at times of invading the functions of the Congress.

Mr. FERGUSON. Will the Senator yield further?

Mr. MURDOCK. I yield.

Mr. FERGUSON. Except where Congress passes a law; then they are not encroaching upon it.

Mr. MURDOCK. Absolutely not.

Mr. GEORGE. Mr. President, I should like to ask a question, because I expect to have something to say about this matter. Does the Senator from Michigan mean to say that Congress cannot express its sense of what its intent and purpose was in passing a law?

Mr. FERGUSON. By passing another statute?

Mr. GEORGE. No; just by simple resolution declaring its intent and purpose.

Mr. FERGUSON. A joint resolution?

Mr. GEORGE. Yes; by joint resolution.

Mr. FERGUSON. There is no doubt about that, and that is the same as an interpretation of the law. I agree with the Senator from Georgia in that.

Mr. GEORGE. That is all that has happened in this case, and all this argument is just beside the question. The joint resolution is here.

Mr. MURDOCK. That is the trouble now; it is not a joint resolution and the Senator knows that.

Mr. GEORGE. It is a simple resolution.

Mr. MURDOCK. It is a concurrent resolution.

Mr. GEORGE. Very well.

Mr. MURDOCK. And all the precedents of the Senate tell the Senator from Georgia, they tell the Senator from Utah, and they tell every other Senator, that a concurrent resolution should not be used for any such purpose.

Mr. President, it has not been many years since I, as a new Member of the Senate, stood on this floor, when the debate on the lend-lease bill was proceeding, and challenged at that time the use of the concurrent resolution to terminate legislation. I predicted at that time that just as surely as Congress adverted to the concurrent resolution to terminate legislation, it would come back to plague us.

Little attention was paid to what I said that night. It was another night when everyone wanted to go home. I called attention then to the fact that the use of the concurrent resolution to terminate legislation was violative of the Constitution of the United States. From that day down to the present we have provided the same procedure in at least a dozen other instances to repeal or terminate legislation, and just as I predicted then, we now have people from the outside coming in and saying, "Here is a convenient way to get rid of a court decision if we do not like it."

I wonder if the Congress wants to do that. I realize tonight that I am probably just a voice crying in the wilderness, as I was before, but I predict, as I have predicted to the able chairman of the Committee on Finance, that if Congress follows this procedure, interpreting the laws of this country, and condemning a court decision by a concurrent resolution, then we set ourselves up as an appellate court to pass on decisions of the judiciary.

Mr. President, can we do that and still maintain the proper separation of powers which is contemplated by the Constitution? What an easy matter it is for some pressure group to come here, through their lobbyists, and call the attention of a few of their friends to the fact that a certain court decision is violative of their rights, or that it interferes with some of their privileges, and without proper attention on our part, getting a concurrent resolution passed through Congress, we setting ourselves up thereby as an appellate court, condemning an action of the judiciary.

I wish to call the attention of the Senate to the language, if I may have order.

The PRESIDENT pro tempore. The Senate will be in order.

Mr. MURDOCK. I know a discussion of this kind is usually not interesting to Senators, but I say again tonight that if the Senate does what is contemplated by Concurrent Resolution 50, it will be faced with it down through the years, and it will come back to plague us, just as similar action heretofore taken is now doing.

I wish to read from the language of the House report:

The validity of these regulations has been questioned in a recent court action on the theory that the statute providing for deduction of business expenses is ambiguous.

I hope Senators will pay attention to this language:

However, this position is untenable.

Which position? The position of the United States Circuit Court of Appeals is declared untenable in the report of a legislative committee.

I continue reading from the report:

However, this position is untenable since the language of the statute is so general in its terms as to render an interpretative regulation appropriate.

And in the closing sentence of the paragraph in the same report we find this:

Congress had approved the administrative construction adopted in such regulations and has thereby given them the force and effect of law.

There, Mr. President, is a report of a legislative committee in the face of a judicial decision of a circuit court of appeals holding that a regulation is invalid, saying that Congress has given that regulation the force of law.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. MURDOCK. I yield.

Mr. FERGUSON. I now have before me House Concurrent Resolution 50. It was agreed to in the House and is on the Senate Calendar. I cannot agree with the distinguished Senator from Georgia that a concurrent resolution is a law, or is such an act as will reverse or set aside a court decision.

Mr. GEORGE. Mr. President, I never said that, I never thought that, and I never even imagined that that could be

true. All I said was that the Senate of the United States——

Mr. MURDOCK. Mr. President, I have the floor.

Mr. GEORGE. Yes; I know.

Mr. MURDOCK. And if the Senator wants me to yield, I am happy to do so.

Mr. GEORGE. I merely wanted to correct the statement made by the Senator from Michigan.

Mr. MURDOCK. All I want the Senator to do is to recognize the fact that I have the floor.

Mr. GEORGE. Oh yes; I recognize that fact.

Mr. MURDOCK. Now I yield.

Mr. GEORGE. I never made such an assertion and never had any such idea. But I do say that any legislative body can express its own idea of its intent and purpose. It can say that it is the sense of this body that this is the intent of the body. It is not a law. It is not intended to be a law.

Mr. FERGUSON. Mr. President, now I understand the opinion of the Senator from Georgia.

Mr. GEORGE. Yes. That is all.

Mr. FERGUSON. And I agree that insofar as saying what Congress intends, this method could be used. But I agree now with the Senator from Georgia that it is not a law, that it cannot be considered a law, and cannot in any way affect a court decision, which is the law.

Mr. MURDOCK. Mr. President, the Senator has well stated the situation. The point I make is this. Can the Congress of the United States by the use of the concurrent resolution interpret laws and in reports supporting a concurrent resolution condemn as untenable the position of one of our circuit courts? Does the Senator from Michigan think that is a proper procedure for a legislative body?

Mr. FERGUSON. Mr. President, I will answer that by saying that I consider that when the circuit court of appeals decides a case Congress should consider that to be the law and treat it as the law, and if Congress wants to reverse it or change it or repeal it Congress should enact a statute or pass a joint resolution which would be in effect a statute so to repeal that law.

Mr. MURDOCK. The Senator is taking exactly the position that I take tonight. I have gone to the chairman of the Finance Committee of the Senate, recognizing him as one of the great lawyers of the Senate, and saying to him that if Congress must agree to this resolution of interpretation, if we must do that, then let us do it by making it a part of the law.

I agree with the Senator from Georgia that we can by law construe a law. We can by law interpret a law. But we cannot properly by concurrent resolution, which is not a law, set ourselves up as a court and say what the law is, not only to the courts of the country but to the Chief Executive, whose veto power is a part of the legislative procedure of this Government. We cannot pass a law by exclusive action of the House and the Senate—can we? Before any bill or any action of Congress becomes the law it has to be submitted to the President, does it not? It has to be approved by the President, or if disapproved, then it can only become law by overriding the President's veto by a two-thirds vote of Congress. When we do something, as is contemplated by House Concurrent Resolution 50, we do what? We not only strike at the judiciary, we not only encroach on the independence of that third arm of the Government, but, Mr. President, we encroach on and strike down the veto power of the President.

When I made my first argument upon this question before the Senate I read at that time part of the great speech of Calhoun on this very subject, pointing out that to strike down or to interfere at all with the veto power of the President would be to unbalance the entire system of checks and balances set up under the Federal Constitution.

Mr. President, I did not know about this concurrent resolution until one of the attorneys for the oil companies called my attention to it and asked me to support it. My answer to him was "I do not disagree with the fact that the oil industry is entitled to an option of either expensing the intangible costs of drilling an oil well or charging it to capital account; but, my dear friend, you are asking me to do something which in my opinion violates the very oath that I took when I became a Senator, and that is to uphold the Constitution and to maintain inviolate that separation of powers between the three departments of government that is so essential to the successful operation of our Federal system."

Mr. President, I ask that House Concurrent Resolution No. 50 be printed at this point in the RECORD as a part of my remarks.

There being no objection, House Concurrent Resolution No. 50 was ordered to be printed in the RECORD, as follows:

Resolved by the House of Representatives (the Senate concurring), That in the public interest the Congress hereby declares that by the reenactment, in the various revenue acts beginning with the Revenue Act of 1918, of the provisions of section 23 of the Internal Revenue Code and of the corresponding sections of prior revenue acts allowing a deduction for ordinary and necessary business expenses, and by the enactment of the provisions of section 711 (b) (1) of the Internal Revenue Code relating to the deduction for intangible drilling and development costs in the case of oil and gas wells, the Congress has recognized and approved the provisions of section 29.23 (m)-16 of Treasury Regulations 111 and the corresponding provisions of prior Treasury Regulations granting the option to deduct as expenses such intangible drilling and development costs.

Mr. MURDOCK. Mr. President, I also ask that the report of the Senate Committee on Finance be included as a part of my remarks. I do not include the House report, because the Senate report includes the House report, as I understand.

There being no objection, the report (No. 398) was ordered to be printed in the RECORD, as follows:

The Committee on Finance, to whom was referred the concurrent resolution (H. Con. Res. 50) declaring Congress to have recognized and approved the provisions of section 29.23 (m)-16 of Treasury Regulations 111, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the concurrent resolution do pass.

This resolution seeks to reaffirm what the committee believes to have been the intent of Congress as reflected in Treasury regulations giving to the taxpayer the option to either capitalize or charge to expense intangible drilling and development costs in the case of oil or gas wells.

The consideration and adoption of this resolution should not be construed as creating any implication adverse to mines respecting their development costs.

For the information of the Senate the report of the House Committee on Ways and Means on this resolution is attached hereto.

(H. Rept. No. 761, 79th Cong., 1st sess.)

The Committee on Ways and Means, to whom was referred the resolution (H. Con. Res. 50), declaring Congress to have recognized and approved the provisions of section 29.23 (m)-16 of Treasury Regulations 111 and corresponding provisions of prior regulations, granting the option in the case of oil and gas wells to deduct, as an expense, intangible drilling and development costs, having had the same under consideration, report it back unanimously to the House without amendment and recommend that the resolution do pass.

The purpose of the resolution is to remove any doubt as to the validity of Treasury regulations giving to the taxpayer the option to either capitalize or charge to expense intangible drilling and development costs in the case of oil and gas wells. These regulations have been in effect for more than 28 years, and the Congress has continued, in successive revenue acts adopted since that time, the basic statutory provisions from which such regulations are derived. Furthermore, in section 711 (b) (1) (I) of the Second Revenue Act of 1940, relating to the excess-profits tax, the validity of the regulation was expressly recognized by statute. Section 711 (b) (1) (I) of the Internal Revenue Code specifically provides for an adjustment to the net income of the base-period years where the taxpayers' deduction for intangible drilling and development costs had been abnormal or disproportionate during those years. The Treasury Department in 1942 recognizing that the interpretation of the statute by the regulations had become a part of the statute, recommended in the revenue bill of 1942 that the expensing of development costs be eliminated from the statute for 1942 and subsequent years. Congress was unwilling to adopt this recommendation of the Treasury and expressed its desire to continue the regulation in effect.

The validity of these regulations has been questioned in a recent court action on the theory that the statute providing for deduction of business expenses is ambiguous. However, this position is untenable since the language of the statute is so general in its terms as to render an interpretative regulation appropriate. In practical administration there are admittedly border-line cases between deductible business expenses and nondeductible capital outlays which make such a regulation necessary. Congress has approved the administrative construction adopted in such regulations and has thereby given them the force and effect of law.

The Petroleum Administrator for War has estimated that, for the current year, it would be necessary to drill 27,000 additional wells for oil and gas to sustain the production of petroleum essential for the maintenance of our military and civilian requirements and that petroleum needs would be equally great for the year of 1946.

The uncertainty occasioned by raising doubts as to the validity of these regulations is materially interfering with the exploration for and the production of oil. The Treasury Department and the Bureau of Internal Revenue have announced that they

will continue to recognize the regulations under which they now operate unless otherwise directed by Congress.

For these reasons your committee deems it necessary to have Congress reaffirm its position that such regulations are in accordance with and have the full force and effect of law.

The consideration and adoption of this resolution should not be construed as creating any implication adverse to mines respecting their development costs.

Mr. MURDOCK. Mr. President, I have the utmost respect for the great chairman of the Finance Committee of the Senate. There is nothing more irksome to me than to take a position against him. But I come back to the simple argument that if the oil people are entitled to this regulation, if it is the law of the land as stated by the chairman of this committee, in the face of that decision of the circuit court, then I say that the only remedy for such an anomalous situation is to write that regulation into the law.

The argument probably will be made that if my amendment is included that will mean the end of the tax bill. But we have already included one amendment on the recommendation of the chairman of the Finance Committee. In my opinion, there is no way of getting out of a conference with the House on this matter, and I ask sincerely and earnestly here tonight that you do not do what is contemplated in Concurrent Resolution 50, but that you do what is the correct thing to do—if the regulation is the law and if it is what the oil people are entitled to, let us write it into the law here tonight as proposed by my amendment. Let us do away with the uncertainty that is created by the court decision and the position taken by the Internal Revenue Bureau, the proposed concurrent resolution, and the reports supporting it.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. MURDOCK. I yield.

Mr. CORDON. I notice that the concurrent resolution is here, having passed the House. The matter which is now under consideration has already had consideration by the House, and the House has acted favorably upon the concurrent resolution. The Senator's amendment is simply the same action in a different, and in my opinion preferable, form. If the amendment is agreed to, the bill will go to conference. Certainly it would be no more than pro forma action to get the conferees on the part of the House to agree to the inclusion in the bill of the same declaration that has already passed the House in the form of a concurrent resolution.

Mr. MURDOCK. That is the point I wish to make now. The House has said it wants this provision in the law. The Senate Finance Committee has said that it wants this provision in the law. I say to the Senate, Why do we not, in carrying out our legislative function, act as a legislative body rather than set Congress up as an interpreter of the law? We can say, "This is the law" and enact it as the law. If there is anything wrong with that procedure, I do not know what it is.

In my opinion, this is the first time in more than 150 years that the procedure resorted to in this instance has been proposed. Just as sure as we follow it, every pressure group in the country, whenever there is an adverse decision in one of our Federal courts, will be here asking us to do something by concurrent resolution instead of meeting the question head on by the enactment of a law. That is all I ask.

Mr. President, I ask that certain precedents which I have briefed on the question of concurrent resolutions be printed in the RECORD at this point as a part of my remarks.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

JUNE 26, 1945.

MEMORANDUM ON CONCURRENT RESOLUTIONS

Article I, section 7, subdivision 3 of the Constitution of the United States provides:

"Every order, resolution, or vote, to which the concurrence of the Senate and the House of Representatives may be necessary (except on a question of adjournment) shall be presented to the President of the United States."

While this constitutional provision would seem literally to require that every concurrent resolution be submitted to the President, the Senate Committee on the Judiciary has indicated that a somewhat more liberal reading of the constitutional provision may be warranted. Senate Report No. 1335, Fifty-fourth Congress, second session, was submitted pursuant to a resolution of the Senate which directed the Judiciary Committee to inquire, among other things, as to whether concurrent resolutions generally are required to be submitted to the President of the United States.

On the subject of concurrent resolutions, the committee report may be summarized as follows: Concurrent resolutions, except in a few early instances in which the resolution was neither designated as concurrent or joint, have not been used for the purposes of enacting legislation but to express the sense of Congress upon a given subject, to adjourn longer than 3 days, to make, amend, or suspend joint rules, and to accomplish similar purposes, in which both Houses have a common interest, but with which the President has no concern. They have never embraced legislative provisions proper, and hence have never been deemed to require Executive approval. While resolutions, other than joint resolutions, may conceivably embrace legislation, if they do so they require the approval of the President. But Revised Statutes, Second Edition, 1878, page 2, sections 7 and 8, prescribe the form of bills and joint resolutions, and it may properly be inferred that Congress did not intend or contemplate that any legislation should thereafter be enacted except by bill or joint resolution. That is a fair inference, because Congress provided no form for legislation by concurring resolution. Moreover, the rules of the respective Houses treat bills and joint resolutions alike, and do not contemplate that legislation shall be enacted in any other form or manner.

In substance, it was the conclusion of the committee that concurrent resolutions were, as a matter of congressional practice, never used to enact legislation, but that if they were so used the approval of the President would be required. The committee report concludes that—

"Whether concurrent resolutions are required to be submitted to the President of the United States" must depend not upon their mere form but upon the fact whether they contain matter which is properly to be regarded as legislative in its character and effect. If they do, they must be presented for his approval; otherwise, they need not be. In other words, we hold that the clause in the Constitution which declares that every order, resolution, or vote must be presented to the President, to "which the concurrence of the Senate and House of Representatives may be necessary," refers to the necessity occasioned by the requirement of the other provisions of the Constitution whereby every exercise of "legislative power" involves the concurrence of the two Houses; and every resolution not so requiring two concurrent actions, to wit, not involving the exercise of legislative powers, need not be presented to the President. In brief, the nature or substance of the resolution, and not its form, controls the question of its disposition."

Cannon's Precedents of the House of Representatives, volume VII, section 1045, states that a "concurrent resolution" is not used in conveying title to Government property. His authority for this statement is that on January 15, 1923, a concurrent resolution declining a devise of land to be used as a national park was considered and agreed to with the following amendment:

Insert: *"Resolved by the Senate and the House of Representatives of the United States of America in Congress assembled"* in lieu of *"the Senate (the House of Representatives concurring)."* (64 CONGRESSIONAL RECORD 1773.)

In section 1037 of volume VII, Cannon states that "a concurrent resolution is without force and effect beyond the confines of the Capitol." In addition, in section 1084, Cannon states that on June 1, 1920, the Senate was considering the concurrent resolution respectfully declining to grant to the Executive the power to accept a mandate over Armenia, as requested in the message of the President, when Mr. Hitchcock, of Nebraska, offered an amendment empowering the President to appoint American members of a joint commission to supervise certain fiscal relations of Armenia. Mr. Henry Cabot Lodge, of Massachusetts, presented a point of order to the effect that this was a concurrent resolution, that concurrent resolutions did not go to the President, but that since the proposed amendment was legislation requiring the assent of the President it would not be in order on a resolution which does not go to the President. Thomas R. Marshall, Vice President of the United States, said that so far as he was aware there was no opinion of the Supreme Court to the effect that a concurrent resolution need not go to the President, and consequently overruled the point of order which had been made against it.

In response to an inquiry from the Secretary of the Interior, Attorney General Caleb Cushing, on August 23, 1854, rendered an opinion in which he held that a declaratory resolution of either House of Congress is not obligatory against the judgment of the Executive. He characterized the contrary view as follows:

"According to the letter of the Constitution, resolutions of the two Houses, even a joint resolution, when submitted to the President and disapproved by him, do not acquire the force of law until passed anew by a concurrent vote of two-thirds of each House. On the present hypothesis, the better way would be not to present the resolution to the President at all, and then to call on him to accept it as law, with closed eyes, and, however against law he may know it to be, yet to execute it out of deference to the assumed opinion of Congress.

"In the second place, the hypothesis puts an end to all the forms of legislative scrutiny on the part of Congress. A declaratory law, especially if it involve the expenditure of the public treasure, has forms of legislation to go through to insure due consideration. All these time-honored means of securing right legislation will pass into desuetude, if the simple acceptance of a resolution, reported by a committee, is to be received as a constitutional enactment, obligatory on all concerned, including the Executive.

"In this way, instead of the revenues of the Government being subject only to the disposition of Congress in the form of a law constitutionally enacted, they will be transferred to the control of an accidental majority, expressing its will by a resolution, passed, it may be, out of time, and under circumstances, in which a law, duly and truly representing the will of Congress, could not have passed. And thus, all those checks and guards against the inconsiderate appropriation of the public treasure, so carefully devised by the founders of the Government, will be struck out of the Constitution." (6 Op. Attorney General 694.)

With specific reference to the authority of Congress to declare by resolution, without presentation to the President, the meaning of an existing law, the Attorney General stated (idem, p. 694):

"A mere vote of either or of both Houses of Congress, declaring its opinion of the proper construction of a general law, has, be it repeated, in itself, no constitutional force or obligation as law. It is opinion merely, and to be dealt with as such, receiving more or less of deference, like other mere opinions, according to the circumstances."

Mr. GEORGE. Mr. President, I would not submit any argument here tonight except that I am anxious to have this legislation passed. I believe it is in the interest of the taxpayers of the country. I know that if the action which the able Senator from Utah is now inviting the Senate to take is taken, it will be impossible to secure consideration of this measure, for this very simple reason:

There is on the calendar of the Senate a so-called concurrent resolution. I do not believe that the nature of a thing is absolutely determined by what name is given to it. A so-called concurrent resolution passed the House and came over to the Senate. The Senate Finance Committee reported it, and it is on the calendar. It may or may not be taken up and acted upon; but if taken up, of course, it would be entirely proper and competent for the Senator from Utah to resist it and ask that it be not approved. On the contrary, the able Senator now, before the concurrent resolution has been called up, is offering the concurrent resolution as an amendment to the pending tax bill.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. MURDOCK. The reason I do so is very simple. Under the Constitution, as the Senator well knows, all revenue legislation must originate in the House. The concurrent resolution referred to is not legislation. I think the Senator will agree to that, will he not?

Mr. GEORGE. I am not discussing it, because it is not before the Senate as a concurrent resolution. If it is before the Senate at all, it is because the Senator is adopting it as an amendment.

Mr. MURDOCK. I am asking the Senator a fair question. Does he consider that House Concurrent Resolution 50 constitutes legislation if passed by the Senate?

Mr. GEORGE Ordinarily a concurrent resolution is not legislation; but I am not going into the question, and do not wish to go into the question as to whether a thing which is really a joint resolution can be called a concurrent resolution, or whether the name is controlling. I should say that ordinarily the Senator is correct. It has always been the parliamentary ruling that a concurrent resolution is not legislation, and does not go to the President.

Mr. MURDOCK. That is the point I make. So if I should offer the amendment which I now offer to the tax bill as an amendment to the concurrent resolution, in all probability the point would be made that inasmuch as the concurrent resolution is not tax legislation the offering of my amendment would constitute the initiation of tax legislation in the Senate, and probably it would be ruled out of order.

If the Senator would agree with me tonight that the concurrent resolution, notwithstanding the fact that it is called a concurrent resolution, is in fact a joint resolution, I would join him in a minute in passing it and having it sent to the President for his signature. I would be glad to join the Senator in doing that very thing.

Mr. GEORGE. I have not gone into that question, but I will say to the Senator that I will make no point whatever if the so-called House Concurrent Resolution 50 is brought up. I will make no point that his amendment, or any amendment which he may wish to offer as a substitute for it, is not in order, because it would be in order. As I interpret the concurrent resolution, it does nothing on earth except express the sense of the Congress regarding its own intent. Apparently it is not intended to constitute a law, because it is not in the form in which a joint resolution would ordinarily go to the President for his approval or disapproval.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. MURDOCK. First, let me say that I am very anxious to do exactly what the Senator wishes to do, and that is to make sure that the oil industry gets the advantage of this regulation. That is why I am so anxious to do it by legislation rather than by concurrent resolution.

Mr. GEORGE. I will say to the Senator that there are already in the Senate Finance Committee bills which undoubtedly deal with revenue, and one of which, at least—perhaps both of which—we shall have to bring out during the coming week. The Senator could certainly attach to either of those bills, if he wished to do so, any other revenue measure. I realize that the Senator did not wish to embarrass this particular bill by offering an amendment which really is not germane in any sense, and one which would jeopardize any possible chance of having the bill approved prior to October, or whenever we return. I say that for this reason:

One of the most highly controversial features of our revenue laws has been the question of depletion allowance. Connected therewith has been the question of the intangible drilling costs in the case of oil and gas wells. In 1942 Treasury representatives came before the Finance Committee and made a frontal assault on the depletion allowance. One of the chief arguments against the depletion allowance was the existing Treasury regulation which allowed intangible drilling costs to be "expensed," as they say in the industry, or to be treated as a deductible expense, or added as a capital asset, at the option of the taxpayer. That raised the old question which had been before Congress from year to year in one form or another, and we had a prolonged fight in the Finance Committee and on the floor of the Senate.

The result was that the Treasury was defeated in its aim and purpose. Following that legislation, when the Senate again adhered to the principle of the depletion allowance for oil and gas and certain other minerals and refused to remove what the Treasury called a double advantage to the oil and mineral producers, namely, the depletion allowance, the right to treat intangible drilling costs as an expense, at the option of the taxpayer, rather than to capitalize them, the Treasury lost in its contention.

Following that time the case to which the able and distinguished Senator from Utah referred arose. The Treasury, of course, made the attempt in that case to challenge the right of the taxpayer to exercise the option which he claimed he had a right to exercise, under the old Treasury regulation which had stood for about 25 years. However, it was not attacked on the ground that it was contrary to the statute, as I understand, nor was the regulation attacked as such. They were attacking what the taxpayer was trying to do in that case. In other words, they claimed the taxpayer could not do it under the facts in the case and that it did not come within the regulations. The court rendered a decision. Subsequently, on a rehearing, it modified its viewpoint.

Mr. MURDOCK. Mr. President, will the Senator yield at this point?

Mr. GEORGE. I yield.

Mr. MURDOCK. I assume that the Senator does not take the position that the court changed its position with respect to the invalidity of the regulation, so far as the court was concerned.

Mr. GEORGE. Yes—so far as that case was concerned.

Mr. MURDOCK. Of course, the court said in its first opinion that, although the taxpayer did not challenge the regulation and although the tax collector had not challenged the regulation, when it—the court—was confronted with a regulation which obviously was in violation of law, it was the duty of the court to say so. That is what the court said.

Mr. GEORGE. I understand. I may say in passing that it is a very dangerous practice for an appellate court to decide that it has discovered what able counsel of interstate bodies have not discovered, and to hold a regulation illegal, for the simple reason that a lawyer generally knows his case and litigants for large States know their cases also, and the courts need the advice of counsel, although I understand that many of them think they do not.

Mr. MURDOCK. Mr. President, will the Senator yield at this point?

Mr. GEORGE. Yes. I was simply lecturing the court.

Mr. MURDOCK. But we find that in deciding the case the court cited a number of cases in support of the position it took.

Mr. GEORGE. I know that. I say that I am simply lecturing the court, and I am insisting on what I think is always a much safer thing for courts to do, namely, to allow the lawyers to develop the points which they believe to be controlling. If the court discovers something else which it knows to be controlling, all good and well. But in this case, regardless of what one may think about it, the court decided against the taxpayer, but finally the court modified what it had said with respect to the conflict of the Treasury regulation with the statute.

House Concurrent Resolution 50 was submitted in the House of Representatives. It was agreed to by the House of Representatives and came to the Senate. The Senate Finance Committee, to which it was referred, has reported it favorably, and it has been placed on the calendar. In the report which the Senate Finance Committee made on the resolution the following is stated:

> This resolution seeks to reaffirm what the committee believes to have been the intent of Congress as reflected in Treasury regulations—

Certain Treasury regulations.

That is all; that statement is in the report. The committee report is that the resolution seeks to reaffirm what the committee believes to have been the intent of Congress as reflected in certain regulations. That is not the law. It will not be binding on a court. It will not have anything to do with the law if the law is right. The courts may continue to make their decisions with respect to regulations. But in the measure now before the Senate there is nothing about the resolution; it is not referred to at all; it is wholly extraneous.

The resolution is on the calendar; and when it comes up for consideration in the Senate, the Senate may pitch it out entrely and may say it is not proper procedure and should not be agreed to. But I say that any legislative body which is a sovereign body under everyone's law has a right to express its opinion as to what it intends to do or what it intended to do. The Congress of the United States expressed its opinion that what the Turks were doing in Europe long long numbers of years ago was outrageous and contrary to the dictates of humanity, and so forth and so forth. Certainly a legislative body can say what its purpose or intent is in taking certain action. That is not binding on a court, any more than what it said in the first instance was. The courts frequently find that something was not the intent of the legislature, when probably it was; and sometimes they find that something was the intent of the legislative body, when probably it was not; but they examine the law and arrive at their own decision.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. MURDOCK. I am in full agreement with the Senator regarding what can be done by concurrent resolution, and I agree with him that by concurrent resolution we can condemn things which occur in Europe or things which occur in this country. But when we try to tell the courts of the country, as we do here, what the law is, when they have held just the opposite, and when a committee of Congress not only condemns the action of the court but takes the position—as is done in both reports—that the position of the court is untenable, I simply think that cannot be done by means of concurrent resolution.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. HATCH. I asked the Senator from Georgia to yield because I am more or less familiar with the whole question which is being debated. I do not think there is an iota of difference between the position of the Senator from Utah and the position of the Senator from Georgia—absolutely none—except this—and let me say first that I think the position of the Senator from Utah is sound.

Mr. MURDOCK. I thank the Senator.

Mr. HATCH. I do. But I should also say that we are confronted with a certain practical situation. The Senator from Georgia has explained that this matter is not involved in this particular measure, so far. When House Concurrent Resolution 50 comes before the Senate, I think we can all debate the question and discuss it to our heart's content. But right now I see no particular reason for indulging in this debate. But I do think the Senator from Utah is really sound in the position he takes.

Mr. GEORGE. I am not disputing that. However, I am pointing out the effect of it, and I am pointing out the Treasury's position on it.

I was about to make an additional statement, and with that I will be through and will be willing to have the Senate vote on this matter. The Treasury has taken a flat position on this issue, and the Treasury has also said that so far as past transactions are concerned—in other words, so far as its regulation is concerned—it would go on and would abide by it, regardless of what the court had said or had not said.

But the Treasury does not wish to approve any legislation which lays down the law for the future. So, suppose this amendment is added to the bill. The bill thus amended would go to the House of Representatives. The Treasury would appear before the House committee and would ask that the bill be held for conference. That undoubtedly would be done, and that would be the end of the tax bill, because before a conference could be held we would have adjourned and gone home until October.

The issue can be raised either on consideration of House Concurrent Resolution 50, when it comes before the Senate, or on consideration of another tax bill, if one is reported and considered at this session, before the adjournment.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. FERGUSON. I should like to inquire whether it is the intention of the Senator to call up House Concurrent Resolution 50, following consideration of the pending measure.

Mr. HATCH. I hope the Senator does so.

Mr. GEORGE. I should like to get it off the calendar, because it is there now. However, I do not know that I shall call it up immediately after action is taken on the pending bill. Another tax bill might be reported out before that.

Mr. FERGUSON. Does the Senator from Georgia anticipate that within a short time a revenue bill will be reported from the committee and will be ready for consideration by the Senate?

Mr. GEORGE. Yes; I anticipate that may be done either on Friday or Saturday.

Mr. FERGUSON. The Senator from Utah may endeavor at that time to attach what he now proposes to attach.

Mr. GEORGE. Yes.

Mr. MURDOCK. If the Senator from Georgia will assure me that he will not attempt to call up Concurrent Resolution No. 50, and would prefer to have me offer my amendment to some other tax bill, and I may have that opportunity before the Senate passes on Concurrent Resolution No. 50, I shall have no objection.

Mr. GEORGE. That will be all right with me, so far as I am concerned, but there are several other Senators who are interested in Concurrent Resolution No. 50, and I could not bind them.

Mr. HATCH. The Senator from Georgia may not bind other Senators in respect to Concurrent Resolution No. 50.

Mr. GEORGE. No.

Mr. MURDOCK. Will the Senator from Georgia agree to what I have suggested?

Mr. GEORGE. I would certainly be willing to give the Senator from Utah an opportunity to seek to offer his amendment to some other revenue bill which will come before the Senate. I would not want to undertake to bind other Senators, however, who are interested in the matter, by saying that concurrent resolution No. 50 will not be called up, because any Senator may call it up.

Mr. BARKLEY. In that connection I may say, Mr. President, that following the disposition of the Export-Import Bank bill tomorrow, I hope to move that the calendar be called for consideration of bills to which there is no objection. The concurrent resolution to which reference has been made will not be included in the call of the calendar, which will begin where we left off the last time the calendar was called. It would be subject to any Senator's objection. Under those circumstances, it would take a motion to bring the concurrent resolution before the Senate, and the chances are, I believe, that it would go over until after the recess of the Senate.

Mr. HATCH. As a matter of fact, Mr. President, I am quite sure that a motion will be made.

Mr. BARKLEY. It will then be necessary for the Senate to act on the motion.

Mr. GEORGE. I could not undertake to bind any Senator.

Mr. MURDOCK. I understand that. If the Senator will agree that he will not call up Concurrent Resolution 50, or move to have it considered, and afford me an opportunity to offer my amendment to a tax bill which may come up tomorrow or Saturday, I shall be perfectly willing to withdraw my amendment now.

Mr. GEORGE. I believe there is a tax bill on the calendar to which the distinguished Senator from Wisconsin [Mr. LA FOLLETTE] secured approval of the Senate Finance Committee to offer an amendment. I do not remember what bill it is. But there is another tax bill which will have to be brought before the Senate.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Utah.

Mr. MURDOCK. Mr. President, I do not wish to interfere with the Senator from New Mexico [Mr. HATCH], but if the matter could go over tonight, so that I may have an opportunity to attach the amendment to a tax bill which will be called up tomorrow or Saturday, then the Senator could call up the concurrent resolution at any time he desired to do so.

Mr. HATCH. I shall be very glad to have the matter go over tonight, but I will not make any agreement.

Mr. MURDOCK. With the assurance which I have received from the Senator from Georgia [Mr. GEORGE] that he does not intend to call up Concurrent Resolution 50, I withdraw my amendment at this time.

The PRESIDENT pro tempore. The bill is before the Senate and open to amendment. If there be no further amendment to be offered, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill (H. R. 3633) was read the third time and passed.

PAYMENTS OF SUBSIDIES TO PRODUCERS OF CERTAIN FARM PRODUCTS

Mr. O'MAHONEY. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 464, Senate bill 1270.

Mr. LANGER. I object.

Mr. O'MAHONEY. Mr. President, if the Senator from North Dakota will withhold his objection for a moment, I will make a statement with respect to the bill.

Mr. LANGER. I withhold the objection.

Mr. O'MAHONEY. This is a measure which has been reported by the Banking and Currency Committee of the Senate. The bill is designed to make it possible for the Commodity Credit Corporation to carry out a program to sustain the lamb producer.

Mr. LANGER. I withdraw my objection. [Laughter.]

Mr. O'MAHONEY. I thank the Senator.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 1270) relating to the payment of subsidies by the Commodity Credit Corporation and the Reconstruction Finance Corporation.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

Mr. WHITE. I may say to the Senator from Wyoming that I have talked with minority members of the committee, and I find no opposition on their part to the proposed legislation.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill (S. 1270) relating to the payment of subsidies by the Commodity Credit Corporation and the Reconstruction Finance Corporation, which had been reported from the Committee on Banking and Currency with an amendment, on page 2, line 8, after the word "correspondingly", to strike out "*And provided further*, That the Corporation is authorized to carry out subsidy operations with respect to 1946 and 1947 sugar crops to such extent as the Secretary of Agriculture may determine necessary to obtain the maximum necessary production and distribution of sugar", so as to make the bill read:

Be it enacted, etc., That the amount of funds authorized to be expended by Commodity Credit Corporation pursuant to section 3 of the act of April 12, 1945 (Public 30, 79th Cong.), shall be increased by such amounts as may from time to time be determined by the Secretary of Agriculture as follows: (1) Not to exceed with respect to livestock and livestock products, $595,000,000; (2) not to exceed with respect to wheat and wheat products, $190,000,000; and (3) not to exceed with respect to butterfat and butter, $100,000,000: *Provided*, That the amounts authorized to be expended pursuant to section 1 of the act of June 23, 1945 (Public, 88, 79th Cong.), for subsidy payments on meat, butter, and flour shall be reduced correspondingly.

The amendment was agreed to.

The PRESIDENT pro tempore. The bill is before the Senate and open to further amendment. If there be no further amendment to be offered, the question is on the engrossment and third reading of the bill.

The bill was ordered to a third reading, was read the third time, and passed.

Mr. O'MAHONEY. Mr. President, I ask unanimous consent that the committee report be printed in the RECORD at this point.

There being no objection, the report (No. 465) was ordered to be printed in the RECORD, as follows:

The Committee on Banking and Currency, to whom was referred the bill (S. 1270) relating to the payment of subsidies by the Commodity Credit Corporation and the Reconstruction Finance Corporation, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

This bill, as reported by the committee, authorizes an increase in the amounts of the subsidies which may be paid by the Commodity Credit Corporation with respect to certain agricultural commodities and the products thereof. Any increase in the amount of subsidies paid by the Commodity Credit Corporation will be conditioned upon a corresponding decrease in the amount of subsidies authorized to be paid by the Reconstruction Finance Corporation. Thus, no over-all increase in subsidies is authorized.

Under existing law, limitations are placed upon the amounts of the subsidies which may be paid by the Commodity Credit Corportion or the Reconstruction Finance Corporation. The limitations with respect to the Commodity Credit Corporation are contained in Public Law 30, Seventy-ninth Congress, and those with respect to the Reconstruction Finance Corporation are contained in Public Law 88, Seventy-ninth Congress. Under the latter act, the Reconstruction Finance Corporation is authorized to pay the following subsidies, among others. With respect to meat in an amount not to exceed $595,000,000, with respect to flour in an amount not to exceed $190,000,000, and with respect to butter in an amount not to exceed $100,000,000. Under this bill, the amount of Commodity Credit Corporation funds authorized to be expended for subsidy purposes will be increased by such amounts as may be determined from time to time by the Secretary of Agriculture as follows: (1) Not to exceed with respect to livestock and livestock products, $595,000,000, (2) not to exceed with respect to wheat and wheat products, $190,000,000, and (3) not to exceed with respect to butterfat and butter, $100,000,000. These amounts correspond to the amounts stated above as those which the Reconstruction Finance Corporation is authorized to expend for subsidies with respect to similar commodities; and whenever an increase is made under this bill in the amount of subsidies paid by the Commodity Credit Corporation with respect to any such class of agricultural commodities or the products thereof, a corresponding reduction will be made in the amount authorized to be paid by the Reconstruction Finance Corporation with respect to agricultural commodities of that class or the products thereof.

The enactment of this bill will tend to centralize in the Secretary of Agriculture the responsibility for the production of food, and at the same time will afford greater flexibility in working out the food program. This should serve to enable the Secretary of Agriculture to overcome some of the difficulties which have been encountered in the production and distribution of food. For example, the Commodity Credit Corporation will be enabled to pay subsidies to the producers of lambs on the basis of an arrangement which has already been worked out informally and which will do much to relieve the present plight of the producers of lambs and result in a greater supply of their product for the consuming public. While it is generally agreed that this arrangement will result in substantial improvement in the production and distribution of lambs, the Commodity Credit Corporation, which has the basic authority to pay such a subsidy under existing law, does not have available funds to use for that purpose within the existing limitations. The Reconstruction Finance Corporation, on the other hand, does have available funds which can be used for paying the subsidy to lamb producers, but does not have the basic authority to pay such a subsidy under existing law. Thus, it is apparent that in this case the flexibility which would be provided by this bill is necessary in order to attain an objective which has been generally agreed upon as desirable.

INCREASE IN LENDING AUTHORITY OF EXPORT-IMPORT BANK

Mr. BARKLEY. Mr. President, earlier in the day the Committee on Banking and Currency reported House bill 3771 dealing with the increased lending power of the Export-Import Bank. I ask unanimous consent that the Senate proceed to the consideration of the bill at this time, with the understanding that it will not be dealt with until tomorrow.

There being no objection, the Senate proceeded to consider the bill (H. R. 3771) to provide for increasing the lending authority of the Export-Import Bank of Washington, and for other purposes.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

TREATIES

The legislative clerk proceeded to state the treaties on the calendar.

Mr. BARKLEY. Mr. President, at this late hour it will not be possible to deal with the treaties. I hope that we can dispose of them tomorrow.

The PRESIDENT pro tempore. Without objection, the treaties will go over.

UNITED STATES PATENT OFFICE

The legislative clerk read the nomination of Casper Ooms to be Commissioner of Patents.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

UNITED STATES COAST GUARD

The legislative clerk proceeded to read sundry nominations in the Coast Guard.

Mr. BARKLEY. I ask unanimous consent that the Coast Guard nominations be confirmed en bloc.

The PRESIDENT pro tempore. Without objection, the Coast Guard nominations are confirmed en bloc.

UNITED STATES PUBLIC HEALTH SERVICE

The legislative clerk proceeded to read sundry nominations in the Public Health Service.

Mr. BARKLEY. I ask unanimous consent that the Public Health Service nominations be confirmed en bloc.

The PRESIDENT pro tempore. Without objection, the nominations are confirmed en bloc.

Mr. BARKLEY. Mr. President I ask that the President be immediately notified of all nominations this day confirmed.

The PRESIDENT pro tempore. Without objection, the President will be notified forthwith.

That completes the calendar.

RECESS

Mr. BARKLEY. Mr. President, I wish to thank and congratulate the Senate on the hard day's work which it has done today. At any time a Senator desires to have me testify under oath, or otherwise, that he has worked more than 6 hours today, I will be his witness. [Laughter.]

As in legislative session, I move that the Senate take a recess until 11 o'clock a. m. tomorrow.

The motion was agreed to; and (at 9 o'clock and 10 minutes p. m.) the Senate took a recess until tomorrow, Friday, July 20, 1945, at 11 o'clock a. m.

CONFIRMATIONS

Executive nominations confirmed by the Senate July 19 (legislative day, July 9), 1945:

UNITED STATES PATENT OFFICE

Casper Ooms to be Commissioner of Patents.

COAST GUARD OF THE UNITED STATES

TEMPORARY SERVICE

Frank J. Gorman to be a rear admiral, from June 30, 1942, while serving as chief planning and control officer, or in any other assignment for which the rank of rear admiral is authorized.

Wilfrid N. Derby to be a rear admiral, from June 1, 1945, while serving as district Coast Guard officer, First Naval District, or in any other assignment for which the rank of rear admiral is authorized.

Raymond T. McElligott to be a rear admiral, from June 1, 1945, while serving as assistant chief personnel officer, or in any other assignment for which the rank of rear admiral is authorized.

William K. Scammell to be a rear admiral, from June 1, 1945, while serving as district Coast Guard officer, Twelfth Naval District, or in any other assignment for which the rank of rear admiral is authorized.

William F. Towle to be a rear admiral, from June 1, 1945, while serving as district Coast Guard officer, Eleventh Naval District, or in any other assignment for which the rank of rear admiral is authorized.

Michael J. Ryan to be a commodore, from June 1, 1945, while serving as district Coast Guard officer, Sixth Naval District, or in any other assignment for which the rank of commodore is authorized.

Ellis Reed-Hill to be a commodore, from June 1, 1945, while serving as chief, Public Relations Division, or in any other assignment for which the rank of commodore is authorized.

John E. Whitbeck to be a commodore, from June 1, 1945, while serving as district Coast Guard officer, Seventh Naval District, or in any other assignment for which the rank of commodore is authorized.

Edward M. Webster to be a commodore from June 1, 1945, while serving as chief, Communication Division, or in any other assignment for which the rank of commodore is authorized.

William H. Barton to be a commodore, from June 1, 1945, while serving as district Coast Guard officer, Tenth Naval District, or in any other assignment for which the rank of commodore is authorized.

Beckwith Jordan to be a commodore, from June 1, 1945, while serving as district Coast Guard officer, Ninth Naval District, St. Louis, or in any other assignment for which the rank of commodore is authorized.

UNITED STATES PUBLIC HEALTH SERVICE

APPOINTMENTS AND PROMOTIONS IN THE REGULAR CORPS

To be assistant dental surgeons, effective date of oath of office

Donald L. Truscott
Stanley J. Ruzicka
John C. Heckel
Arthur J. Lepine
William B. Treutle
Felice A. Petrucelli
Frederick S. Loe, Jr.
Eugene H. Hess
Robert J. Herder
Carl E. Johnson

To be passed assistant dental surgeons, effective date of oath of office

Charles H. Wright, Jr.
George A. Nevitt
Herbert A. Spencer, Jr.

To be assistant sanitary engineers, effective date of oath of office

Donald L. Snow
Roscoe H. Goeke
Ernest C. Anderson

To be passed assistant sanitary engineers, effective date of oath of office

Harry G. Hanson
Richard F. Poston
Edmund C. Garthe
Charles D. Spangler
Fredrick C. Roberts, Jr.
Leonard M. Board

Passed assistant surgeon to be surgeon, effective August 16, 1945

Robert H. Felix

HOUSE OF REPRESENTATIVES

THURSDAY, JULY 19, 1945

The House met at 12 o'clock noon.

Rev. Bernard Braskamp, D. D., pastor of the Gunton Temple Memorial Presbyterian Church, Washington, D. C., offered the following prayer:

O Thou God of all grace and goodness, we rejoice in Thy kind and kingly providence and the glad assurance that Thy thoughts concerning us are those of good will and love.

We thank Thee for the joy and hope that this assurance gives us; for its inspiration in moments of doubt and discouragement; for its restraining influence in times of temptation and turpitude; for its strengthening and consoling power when the struggle of life with all its problems and perplexities is so difficult and our hearts are overwhelmed.

We pray that the day may be hastened when the soul of men and nations shall be filled with this same Godlike spirit of good will and love. May our hearts be purged from every feeling that violates the value and dignity of human personality and human rights. Help us to cultivate the spirit of reverence and respect for all mankind.

Grant that prejudice and bigotry may be banished and supplanted by tolerance and cooperation. May we resent with righteous indignation every attempt to stir up antagonism between people because of color or creed or class. May the hot embers of hatred be forever extinguished. May Christ's spirit reign supremely.

Hear us in the name of the Prince of Peace. Amen.

The Journal of the proceedings of yesterday was read and approved.

EXTENSION OF REMARKS

Mr. ROE of Maryland asked and was given permission to extend his remarks in the RECORD and include an editorial from the Manufacturers' Record.

Mr. WOODRUM of Virginia asked and was given permission to extend his remarks in the RECORD and to insert a short editorial appearing in the New York Times of July 6 on military training and also a short article in the same issue of the New York Times by Arthur Krock on the same subject.

Mr. ROMULO asked and was given permission to extend his remarks in the RECORD and include a speech made by General MacArthur.

Mr. BARTLETT asked and was given permission to extend his remarks in the RECORD in two instances and to include therein an exchange of letters between Under Secretary of the Interior Abe Fortas and himself and an editorial from the Alaska Weekly.

PRESIDENT HARRY S. TRUMAN

Mr. MANSFIELD of Montana. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Montana?

There was no objection.

Mr. MANSFIELD of Montana. Mr. Speaker, the practical realism of President Harry S. Truman has again been shown in despatches from the Big Three meeting in Potsdam, Germany. Within a few hours after his first formal meeting with Churchill and Stalin he made clear the position of this country by stating that the swift defeat of Japan is the principal issue confronting the United Nations—particularly Russia, Britain, and the United States. It is understood that President Truman—without making any direct demands—informed his colleagues that the loss of lives in the Pacific must be ended as quickly as possible. With that accomplished, the foundation can be laid for a just and permanent peace.

President Truman is wasting no time in making his position clear. His honesty and directness are to be commended and our prayers and hopes are, I believe, in good hands. We may be certain that he will represent his country—all of us—in the highest tradition of American statesmanship. We are fortunate, indeed, to have this man from Missouri with his straight thinking and common sense guiding this Nation in one of its most critical hours.

RECOMMENDATIONS FOR THE IMPROVEMENT OF THE SUGAR SITUATION

Mr. JENKINS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. JENKINS. Mr. Speaker, reports reaching every Member of Congress indicate that the sugar situation has now become so critical that ration coupons and quotas from a practical standpoint are mere empty promises. Housewives find that they are unable to redeem the few coupons they have been issued for home canning. Industrial users are able to obtain from sugar refineries only a fraction of the drastically curtailed quotas under which they are now operating. Regardless of quotas and coupons, unless steps are taken immediately to actually make sugar available to housewives, canners, and other commercial users, much of the produce from victory gardens and vast quantities of other foods now coming to harvest are certain to be lost.

The Republican Congressional Food Study Committee, of which I am chairman, has continually carefully investigated this whole situation and I have five specific recommendations that will help relieve this deplorable situation:

1. BORROW SUGAR FROM THE UNITED KINGDOM

It is reported that for more than 2 years past Great Britain has held stocks of sugar in excess of normal peacetime practice. It is recommended that administration food officials make arrangements to borrow immediately 200,000 or more tons of sugar now in the West Indies from the United Kingdom until next January or February, when the new production will start reaching the market.

2. BORROW SUGAR FROM MILITARY ALLOCATIONS

Transfer allocations of sugar temporarily from military to essential civilian use. It is reported that our military services have enough sugar already on hand for the present quarter. If it will not impair military activities, Federal food officials should immediately ascertain, and if possible secure from the military services as much of this sugar as possible. This can be replenished later.

3. EMBARGO EXPORTATION OF AMERICAN-ALLOCATED SUGAR

A month ago the Republican Congressional Food Study Committee strongly recommended that an embargo be placed on the shipment of sugar available to the United States to any foreign country until such time as their actual stock piles are disclosed and justified. Up to this time no apparent action has been taken on this recommendation. The recommendation is renewed.

Looking ahead to 1946 the following recommendations are made:

4. EXPAND SUGAR-BEET PRODUCTION

It is recommended that a policy be established at once that will encourage the greatest possible acreage of sugar-beet production. Sugar beets are harvested 6 months after planting. Until cane-sugar production reaches a point adequate to meet needs, expand sugar beet acreage to the maximum.

5. PREPARE NOW TO PRODUCE SUGAR IN THE ORIENT

The military pattern in the Orient seems to have taken shape. It now appears that before long certain areas in tropical climate where sugarcane grows faster than any other place in the world will be recaptured from our enemies. Steps should now be taken by the administration to move in immediately after our military forces with the necessary machinery and equipment to bring about speedy production of sugarcane.

Mr. Speaker, it probably took a great deal of courage for the Secretary of Agriculture to deliver the radio address he made on the evening of July 16. According to the press he painted a gloomy picture of the food situation. Certainly it was a most severe condemnation of all Federal officials who have been responsible for creating this tragic situation.

While laying the groundwork for increased production—

Said the Secretary of Agriculture—

we are not overlooking any opportunities for bringing immediate relief from shortages.

Almost 4 years have passed since Pearl Harbor and almost 6 years since the outbreak of war in Europe. The American people have a right to know why this groundwork was not laid long years ago. The same administration with its "palace guard" and satellites has received every authority it needed from Congress to secure an adequate food supply to meet any demands.

He pointed out that "we have embarked on a rigid policy of close scrutiny of military and foreign demands for food." Why have Federal authorities waited until after we have exported some $5,500,000,000 worth of food at wholesale prices—not retail—on lend-lease to embark on a policy of scrutiny?

Two of our most important commodities are meat and sugar and on these two items the Secretary of Agriculture presented the gloomiest outlook. He indicated that for 1946 we may have even less meat to eat than this year, and as for sugar he said:

It may be several years before the important sugar producing and exporting countries regain their prewar output. Until that time, nations tha import as large a part of their total supplies as the United States does can expect to be short of sugar.

As an example of Administration confusion and incompetence, only 16 months ago the Chief of the Administration's Sugar Division testified before the Appropriations Committee of the House that there would be a huge sugar surplus in 1944. He then estimated 8,600,000 tons of sugar would be available while both domestic and export demands would total only 6,800,000, leaving a surplus of 1,800,000 tons of sugar.

Prior to that time the Republican Congressional Food Study Committee's investigations uncovered the fact that a serious sugar shortage was inevitable.

Relief can be had immediately, and more relief can be had in 1946, if the above five specific recommendations are carried out.

EXTENSION OF REMARKS

Mr. ELLIS asked and was given permission to extend his remarks in the Appendix of the RECORD.

ABUSE OF LEND-LEASE

Mr. ELLIS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

Mr. ELLIS. Mr. Speaker, today I have placed in the Appendix of the RECORD an amazing story on lend-lease written by an American citizen.

While the story reveals nothing particularly new in the reckless waste of American dollars and supplies, it does give the viewpoint of a soldier. And do not think for one moment that they have failed to observe this waste and the treatment experienced by our armed forces.

The story of our allies in the Middle East being swamped with American cigarettes and precious canned goods while our men were without is a sickening revelation. Gasoline sent them on lend-lease in United States tankers, delivered to the gasoline dumps of our Allies in United States trucks, was later purchased by our forces—cash on the barrel-head—at excessive prices.

We pay $1 per head to the French-British company for United States troops passing through the Suez Canal to the Far East to drive the Japs out of the possessions of our allies.

Up until December 1944 we had delivered $3,523,684,000 in lend-lease to the Mediterranean area. The consumer goods sent to the absolute monarchs,

such as in Arabia and Egypt, add to their personal fortune. The goods are sold in the markets. In Egypt the shops in Alexandria and Cairo are filled with American merchandise for those who have the money to buy, and they are mostly foreigners.

Poverty and disease are prevalent and 99 percent of the population received nothing and know nothing about lend-lease.

From 90 to 95 percent of the supplies sent to north Africa, on lend-lease comes from the United States, but British officials insist on sitting in on conferences in many instances where they had furnished none of the supplies and where their interests were only justified by their concern for postwar relations of the Empire.

Lend-lease files and records of all kinds are open to the British, who inspect them frequently.

The Egyptian Army could not withstand an assault by the Metropolitan Police, and a British tank whirled up in front of the king's palace dictates their foreign policy.

I was told by a member of our Naval Affairs Committee that several months ago a drought condition prevailed in Bermuda where they depend completely on rain water. The tankers in which we sent fresh water for their relief were charged $400 per day dockage.

A sailor told me here in Washington that he was aboard a cruiser which took part in the landing operation in Italy. During the days of preparation he went to the supply ship for flashlight batteries; none were on hand. He went ashore in north Africa and purchased a supply of United States made batteries from a native merchant.

The termination of the war in Europe does not end this mad flight of dollars. Russia is down for $900,000,000 in lend-lease for the current fiscal year; Great Britain is down for $2,500,000,000; Italy for $100,000,000, and France for a goodly sum, on top of the $800,000,000 already given.

In addition to the lend-lease operation we have the $3,500,000,000 Export-Import Bank, $17,000,000,000 in the Bretton Woods proposal and many other agencies, all designed to channel dollars to all the countries of the world. And our debt keeps mounting near $300,000,000,000; more than the war spending of all our allies combined.

In these days of food shortages, huge quantities of rationed goods continue to flow out of the country on lend-lease.

In the name of common sense, in the name of the men and women in our armed forces, and for the sake of coming generations, let us stop this senseless operation. The Congress should take the necessary action now before we are compelled to do so by an incensed public opinion.

ESTATE OF JAMES ARTHUR WILSON

Mr. PITTENGER. Mr. Speaker, I call up the conference report on the bill (S. 592) for the relief of the estate of James Arthur Wilson, deceased.

The Clerk read the title of the bill.

The Clerk read the conference report.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 592) for the relief of the Estate of James Arthur Wilson, deceased, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House, and agree to the same with an amendment as follows: In lieu of the figures, to-wit: "$7,000" inserted by the House, insert the figures "$6,000"; and the House agree to the same.

DAN R. MCGEHEE,
CLIFFORD P. CASE,
Managers on the Part of the House.
ALLEN J. ELLENDER,
KENNETH S. WHERRY,
JAMES M. TUNNELL,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 592) for the relief of the estate of James Arthur Wilson, deceased, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying report.

The bill as passed the Senate appropriated to the estate of James Arthur Wilson, deceased, the sum of $5,000, for the death of the said James Arthur Wilson, which resulted from an accident involving an Army truck in Greensboro, N. C., on July 20, 1944.

The House increased the amount to $7,000, and at the conference a compromise of $6,000 was agreed upon.

DAN R. MCGEHEE,
CLIFFORD P. CASE,
Managers on the Part of the House.

The conference report was agreed to.

A motion to reconsider was laid on the table.

SAM SWAN AND AILY SWAN

Mr. PITTENGER. Mr. Speaker, I call up the conference report on the bill (H. R. 1308) an act for the relief of Sam Swan and Aily Swan.

The Clerk read the title of the bill.

The Clerk read the conference report.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1308) for the relief of Sam and Aily Swan, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the figures "$3,000" insert the figures "$2,000"; and agree to the same.

DAN R. MCGEHEE,
EUGENE J. KEOGH,
CLIFFORD P. CASE,
Managers on the Part of the House.
BRIEN MCMAHON,
WAYNE MORSE,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 1308) for the relief of Sam and Aily Swan, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying report:

The bill as passed the House appropriated to Sam and Aily Swan the sum of $3,000, on account of damage to their home owned jointly by them, caused by an explosion on October 13, 1941, in a stone quarry where blasting operations were being conducted by the Work Projects Administration.

The Senate reduced the amount to $1,500, and at the conference a compromise of $2,000 was agreed upon.

DAN R. MCGEHEE,
EUGENE J. KEOGH,
CLIFFORD P. CASE,
Managers on the Part of the House.

The conference report was agreed to.

A motion to reconsider was laid on the table.

MR. AND MRS. JOHN T. WEBB, SR.

Mr. PITTENGER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (S. 784) for the relief of Mr. and Mrs. John T. Webb, Sr., with a House amendment, insist on the House amendment, request a conference with the Senate, and appoint conferees.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. MCGEHEE, HOOK, and PITTENGER.

AMENDMENT OF FEDERAL EMPLOYEES COMPENSATION ACT

Mr. WALTER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 714) to amend the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," as amended.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. MICHENER. Mr. Speaker, reserving the right to object, as I understand, this is an emergency matter, financially at least. It passed the Senate and has had some committee consideration in the House. Will the gentleman explain the details of the bill and state the necessity of calling it up at this time?

Mr. WALTER. Mr. Speaker, this legislation is designed to amend the United States Employees Compensation Act so that those employees of the United States who were on Guam and in the Philippines and who were unable to file their claims within the time required under existing law will be able to file their claims.

Sections 2 and 3 are intended to relieve hardship in individual cases. In certain cases of occupational disease or severe injury the injured employee may suffer prolonged disability before finally succumbing to the effects of such disease or injury. During this period his

income is reduced to the level of disability-compensation payments, and if death occurs after a lapse of 6 years the dependents are denied compensation for the death and no provision is made for the payment of the expense of the burial. The amendment proposed in section 2 will permit payment of compensation and burial expense in all cases where the death is a result of an injury otherwise within the purview of the law. Section 3 would permit the continuance of compensation after a period of 8 years to certain dependent persons without other means of support.

The fourth section has to do with the payment of compensation to employees of the United States in foreign countries. Under existing law it is necessary to pay these employees in accordance with the schedules in effect in this country, notwithstanding the fact that such payments are substantially disproportionate to compensation which may be payable in similar cases under local law at the place outside the United States where such employees may be working at the time of injury.

If this legislation is enacted into law it will enable the Compensation Commission to make the payments in accordance with the laws of the several countries in which work is being done and should result in a very large saving to the Government. It is anticipated this will eliminate friction and dissatisfactions met with where a standard of compensation by the United States may be higher than that which local authorities consider adequate for other local employees in a particular area.

Mr. GWYNNE of Iowa. Mr. Speaker, will the gentleman yield?

Mr. WALTER. I yield to the gentleman from Iowa.

Mr. GWYNNE of Iowa. As I understand, the last provision applies only to people who are not citizens or residents of this country?

Mr. WALTER. That is correct.

Mr. GWYNNE of Iowa. May I say that this bill has been before Subcommittee No. 3 and has been considered thoroughly.

Mr. SPRINGER. Mr. Speaker, will the gentleman yield?

Mr. WALTER. I yield to the gentleman from Indiana.

Mr. SPRINGER. The provisions of this bill, as I understand them, extend the statute of limitations from 1 year to 5 years for the purpose of filing claims of the character included in this legislation?

Mr. WALTER. Precisely. There are about 400 claims, and I may say to the gentleman from Indiana that unless this legislation is enacted the result will be the filing of many private bills. The necessity of doing that will be obviated if there is a general law to take care of these cases.

Mr. SPRINGER. As I understand it, the subcommittee of which the gentleman from Pennsylvania is chairman has given this measure consideration?

Mr. WALTER. Yes; it was considered and unanimously agreed to by the committee. It has passed the Senate on the Unanimous Consent Calendar.

Mr. SPRINGER. I thank the gentleman.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 20 of the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," as amended, is amended by adding at the end thereof the following new sentence:

"Failure to give notice of injury or to file claim for compensation for disability or death within the time in the manner prescribed by this act shall not bar the claim of any person thereunder if such claim is filed within 5 years after the injury or death and if the Commission shall find (1) that such failure was due to circumstances beyond the control of the person claiming benefits, or (2) that such person has shown sufficient cause or reason in explanation thereof, and material prejudice to the interest of the United States has not resulted from such failure; and upon such finding the Commission may waive compliance with the applicable provisions of the act."

SEC. 2. That the first paragraph of section 10 of such act is amended by striking therefrom the words "within 6 years", and the wards "subject to the modification that no compensation shall be paid where the death takes place more than 1 year after the cessation of disability resulting from such injury, or, if there has been no disability preceding death, more than 1 year after the injury;", and by deleting the comma and adding a colon following the word "pay" therein; and that section 11 of such Act is amended by striking therefrom the words "within 6 years", and the last sentence of such section.

SEC. 3. That subdivision (G) of section 10 of such act is hereby amended by striking therefrom the words "for a period of 8 years" and "before that time", and by substituting the word "until" for the word "unless" therein.

SEC. 4. That section 42 of such act is hereby amended by adding at the end thereof the following new paragraph:

"Whenever the Commission shall find that the amount of compensation, as provided by other provisions of this act, payable to employees of the United States who are neither citizens nor residents of the United States, any Territory, or Canada, or payable to any dependents of such employees, is substantially disproportionate to compensation for disability or death which may be payable in similar cases under local law, regulation, custom, or otherwise, at the place outside the United States, any Territory, or Canada, where such employees may be working at the time of injury, the Commission may provide for payment of compensation upon such basis as will be reasonably in accord with prevailing local payments in similar cases, (1) by adoption or adaptation of the substantive features (by a schedule or otherwise) of local workmen's compensation provisions, or other local law, regulation, or custom applicable in cases of personal injury or death, or (2) by establishing and promulgating, for specific classes of employees, areas or places, special schedules of compensation for injury and death (including schedules for the loss or loss of use of members and functions of the body); and irrespective of the basis adopted may at any time modify or limit therein (a) the maximum monthly and total aggregate payments for injury and death (including modification and limitation of medical or other benefits), and (b) the percentages of the employee's wage payable as compensation for such injury or death, and to modify, limit, or redesignate the class or classes of beneficiaries entitled to death benefits, including the designation of persons, representatives, or groups, who would be entitled under local law or custom to payment on account of death, whether or not included in the classes of beneficiaries otherwise specified in this act. In the cases of such noncitizens and nonresidents, the Commission or its designees are authorized to make lump-sum awards (in the manner prescribed by section 14 of this act), whenever the Commission or its authorized designee shall deem such settlement to be for the best interest of the United States, and also in any such cases to compromise and pay claims for any benefits so provided for, including claims in which there is a dispute as to jurisdiction or other facts, or questions of law. Compensation so payable shall be in lieu of all other compensation from the United States for the same injury or death, and any payment so made shall for all purposes be considered as compensation under this act and as satisfaction of all liability of the United States in respect to the particular injury or death. The Commission may delegate to any officer, agency, or employee of the United States, with such limitations and right of review as it deems advisable, authority to process, adjudicate, compute by lump-sum award, compromise, and pay any claim or class of claims for compensation, and to provide other benefits, locally, under this paragraph, in accordance with such regulations and instructions as the Commission shall deem necessary, and for such purpose the Commission is authorized to provide or transfer funds (including reimbursement of amounts paid under this act). Should the Commission find (1) that conditions prevent the establishment of facilities for processing and adjudicating claims of such noncitizens and nonresidents, or (2) that such noncitizens and nonresidents are alien enemies, the Commission may waive the application of this act, in whole or in part, and for such period or periods of time as the Commission shall fix. The provisions of this paragraph may be applied retrospectively as the Commission may determine, and, where necessary, with such adjustment of compensation and benefits as the Commission may find to be proper. The action of the Commission or its designees in allowing or denying any payment under this act shall be final and conclusive for all purposes and with respect to all questions of law and fact, and not subject to review by any other official of the United States, or by any court by mandamus or otherwise, and credit shall be allowed in the accounts of any certifying or disbursing officer for payments in accordance with such action. Wherever used in this section, the geographical reference to the United States shall mean the continental United States."

SEC. 5. (a) The amendments to such act shall be applicable retrospectively as follows:

(1) The amendment in section 1 of this act shall apply to injury and death cases, whether or not reported or acted upon where the injury (or injury causing death) occurred on or after December 7, 1940.

(2) The amendment in section 2 shall be applicable in any case of death following injury where the injury occurred prior to the date of approval of this act and the employee is receiving or is entitled to receive compensation for injury on or after such date.

(3) The amendment in section 3 shall be applicable in any case where a beneficiary, affected by the provisions of section 10 (G) of such act, (a) is receiving compensation (or whose claim is in the process of initial adjudication) on the date of the approval of this act, or (b) whose compensation has been terminated by reason of the limitation provisions of such section 10 (G) within 3 years prior to the date of such approval, should be found by the Commission to be suffering hardship at the time of approval of this act by reason of such termination.

(b) In any case where an employee employed by the United States within the purview of such act or any extension thereof suffers disability or death after capture, detention, or other restraint by an enemy of the United States, during the present war, such disability or death shall in the administration of such act be deemed to have resulted from injury occurring while in the performance of duty, whether or not the employee was engaged in the course of his employment when taken by the enemy: *Provided*, That this subparagraph shall not apply in the case of any person (1) whose residence is at or in the vicinity of the place from whence he was thus taken, and (2) who was not living there solely by virtue of the exigencies of his employment, unless such person was so taken while he was engaged in the course of his employment: *Provided further*, That compensation for disability or death shall not be paid during any period of time during which the disabled person (or the dependents of such person, or any one of them) should receive or be entitled to receive any pay, other benefit, or gratuity from the United States on account of detention by the enemy or by reason of the same disability or death, unless such pay, benefit, or gratuity is refunded or renounced.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. McGLINCHEY asked and was given permission to extend his remarks in the Appendix of the RECORD.

PERMISSION TO ADDRESS THE HOUSE

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent that I may address the House on tomorrow for 25 minutes at the conclusion of business on the Speaker's desk.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

COMMUNISTS IN THE ARMED SERVICES

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks and to include excerpts from a report of the Subcommittee on Military Affairs.

The SPEAKER. Is there objection to the request of the gentlemen from Mississippi?

There was no objection.

Mr. RANKIN. Mr. Speaker, it is gratifying to note that President Truman is going to hurry home as soon as the Potsdam Conference is over. I hope he continues his policy, when he gets back, of cleaning house. I hope he begins next with the War Department, and puts a stop to the commissioning of Communists in the United States Army.

There are three men in the War Department who are charged with responsibility for these commissions, namely, Mr. Stimson, Mr. Patterson, and Mr. McCloy. If they are responsible for this condition then they ought to resign.

The members of the Committee on Un-American Activities are getting constant protests from men in the armed forces to the effect that these Communists who have been commissioned in the United States Army, are using their power to try to indoctrinate the men in the armed forces with Communist philosophies which are directly opposed to our form of government.

The Subcommittee on Military Affairs has made an investigation and found that many Communists have been commissioned in the United States Army over the protests of the Members of Congress, if not in flagrant violation of law.

These men, as a rule, have been placed in positions where they could yield the greatest influence, and probably render the greatest harm, in preaching their subversive doctrines to our men in the armed forces, and around the separation centers.

Communism is as directly opposed to our form of Government and our way of life as Marxist atheism is to the principles of Christianity: and any man who preaches that Marxian doctrine, or attempts to inculcate it in the minds of our returning servicemen is an enemy to our form of government.

Under permission granted me to extend my remarks in the RECORD, I am inserting a report of the Subcommittee on Military Affairs giving the names of the individual Communists who have been commissioned in the United States Army, and giving the background of each one of them.

I hope every Member of Congress and every patriotic individual in America will take time to examine this report.

It reads as follows:

INVESTIGATIONS OF THE NATIONAL WAR EFFORT

WEDNESDAY, JULY 18, 1945.

The special committee met, pursuant to notice, at 10:30 a. m., in room 1310, New House Office Building, Hon. R. EWING THOMASON (chairman), presiding.

Present: Representatives THOMASON (chairman of the special committee), DURHAM, ROE (New York), ARENDS, and ELSTON.

Also present: H. Ralph Burton, general counsel to the committee.

Mr. THOMASON. The committee will be in order.

The CHAIRMAN. This is a continuation of hearings which are being held relative to the subject of the alleged commissioning of officers and of the existence of enlisted personnel in the Army, having backgrounds reflecting Communist ideology or subversive influences or activities of any kind.

Mr. Burton, will you take the stand?

You have been conducting for the committee investigations of officers commissioned in the Army and enlisted personnel having Communistic backgrounds or associations, and it is requested that you state for the record what you have found.

Mr. BURTON. I have found certain persons who hold commissions and also some enlisted personnel in the Army whose backgrounds reflect communism in some form and am prepared to present the facts which have been developed thus far.

The CHAIRMAN. Proceed.

Mr. BURTON. I submit the following:

"Maj. Edward Newhouse, ASN O-575757, Fiftieth Army Air Force, Washington, D. C.:

"A picture of and an article about him appear in the Daily Worker December 6, 1934.

"Member of advisory committee, American Writers Union.

"Writer for the Daily Worker 1934, the New Masses 1936.

"Responded to the call for Congress of American Revolutionary Writers.

"Has contributed to or has been cited in the magazine International Literature, organ of the International Union of Revolutionary Writers.

"Wrote for the Partisan Review during the period of its domination by the Communist Party.

"Was a sponsor of the Writers' and Artists' Committee for Medical Aid to Spain."

"Capt. Herbert Aptheker, ASN 0-1168538, Nine Hundred and Fortieth Field Artillery Battalion, APO 408, New York:

"Instructor, History of the Negro in America, M. A., Columbia. Author of The Negro in the Civil War; Negro Slave Revolts in the United States; The Negro in the American Revolution; The Negro in the Abolition Movement.

"Faculty member, Jefferson School of Social Science, a new adult educational center, the result of a merger of two other educational institutions which were indisputably under Communist control—the Workers' School and the School for Democracy.

"Contributor to New Masses.

"Contributor to Negro Quarterly.

"Donor to Social Work Today, a magazine founded in 1934, whose avowed purpose is to serve as 'a journal of progressive social work, thought and action.' A study of the contents and policies of the magazine indicates that it is primarily a vehicle whereby the line of the Communist Party is promulgated among social workers in a form calculated to be most palatable and effective to that particular group."

"Capt. Horace Warner Truesdell, ASN O-483783, Headquarters, Seventh Civil Affairs Unit, APO 654, New York (also Horace Truesdale, also Horace W. Truesdale):

"Member, American League for Peace and Democracy.

"Chairman, executive committee, Washington Committee for Aid to China.

"Member, Washington Committee for Democratic Action.

"President, Russian Reconstruction Farms, Inc.

"Truesdell testified before a solicitor of the Civil Service Commission that he had been a member of the Socialist Party for 3 years, that he belonged to the so-called Left Center Party, and that as an organizer of the English-speaking branch, one of his duties was to get new members. He claimed that without effort on his part he was named on three committees—resolutions, propaganda, and making arrangements for Victor Berger to speak in Washington. As a result of this testimony, a letter was sent to Truesdell June 6, 1920, by the Civil Service Commission reprimanding him for his political activities, but no further action was taken."

"Lt. Richard C. Criley, ASN O-1797441, Corps of Military Police, Seventh Civil Affairs Unit, APO 654, New York:

"As Dick Criley, helped handle California Young Communist League.

"One Dick Criley, of 1140 Clay Street, San Francisco, Calif., is listed in report of California Secretary of State, September 1938, as member of State central committee, Communist Party."

"Lt. Irving Fajans, ASN O-545925, Office of Strategic Services, Box 2601, Washington, D. C.:

"On honor roll of Young Communist League members fighting in the Spanish Civil War.

"Executive secretary, New York post, Veterans of Abraham Lincoln Brigade."

"1st Lt. Edward W. Finkelstein, ASN O-1168237, Twenty-sixth Field Artillery Battalion, APO 9, care Postmaster, New York:

"Chairman, Philadelphia District International Workers Order. The order, with a membership of 155,000 and assets of $1,889,-611, is a fraternal organization which has from its very inception demonstrated by its pronouncements, its activities, and the authoritative statements of the Communist Party that it is a subservient instrument of the Communist Party of the United States.

"Defense director, Eastern Pennsylvania District Committee, International Workers Order."

"Lt. Irving Goff, ASN O-2055518, Office of Strategic Services, Box 2601, Washington, D. C.:

"Speaker, Communist School, New York City.

"Coauthor, Guerrilla Warfare in Union of Soviet Socialist Republics and Spain.

"Files of the State Department show that one Irving Goff, of 2815 West Thirty-first Street, Brooklyn, N. Y., and 2019 West One Thousand and Thirteenth Street, New York City, was issued a passport No. 366548 on February 10, 1937, at age 27, for travel to Spain to visit relatives. Passport allegedly lost.

"He fought with the Abraham Lincoln Brigade in Spain, the fifteenth of the so-called international brigades established by the Spanish Loyalist Government in its decree of September 23, 1937. Evidence shows that this organization was Communist-dominated and served as pawn in the machinations of the Communists in the United States and Spain.

"As executive secretary of the Veterans of Abraham Lincoln Brigade, protested imprisonment of Earl Browder. Veterans of Abraham Lincoln Brigade was formed at a meeting of furloughed American members of the Spanish "red front" army December 18, 1937. Affiliates and cooperates with organizations formed in other countries by veterans of the International Brigade.

"One Irving Goff, of 2930 West Nineteenth Street, Brooklyn, N. Y., signed Communist Party petition for Browder-Ford in 1940.

"(There are no such addresses as: 2815 West Thirty-first Street, Brooklyn, N. Y.; 2019 West One Thousand and Thirteenth Street New York City; or 2930 West Nineteenth Street Brooklyn, N. Y.)."

"Lt. Vincent Lossowski, ASN O-2055519, Office of Strategic Services, Box 2601, Washington, D. C.: Fought with Abraham Lincoln Brigade in Spanish Civil War."

"Lt. Jerry Trauber (James), ASN O-1174175, Nine Hundred and Seventy-eighth Field Artillery Battery, APO 339, New York:

"Editorial board, New Pioneer (Young Communist Organization).

"Junior director, International Workers Order, 1938. A picture of and an article about him appear in the Daily Worker November 20, 1936.

"National language secretary, speaker at International Workers Order parley. A picture of and an article about him appear in the Daily Worker May 29, 1939.

"Communist member of the International Workers Order to aid the Daily Worker, as reported in the Mass Commonwealth report of 1938.

"Member of R. Saltzman Jubilee Committee (Communist).

"Sponsor of Tallentire Jubilee Committee (Communist).

"Member, executive committee, International Workers Order, which has from its very inception demonstrated by its pronouncements, its activities, and the authoritative statements of the Communist Party that it is a subservient instrument of the Communist Party of the United States.

"This 24-year-old director of the junior section was only 18 years old and the junior section only 5 months old when he took over in December 1932. Under his direction the junior membership rose from 250 to 22,500."

"Lt. Milton Wolff, ASN O-889197, Office of Strategic Services, Washington, D. C. (box 2601):

"Commander, Spanish Red Battalion.

"Member, Young Communist League, New York.

"National commander of the Communist-controlled Veterans of the Abraham Lincoln Brigade.

"Listed in the 1938 Yearbook of the Young Communist League on the honor roll of members fighting in Spain."

"Second Lt. Gerald Cook, ASN O-887865, Four Hundred and Sixtieth Amphibious Truck Co., APO 230, New York:

"Fought in Spanish Civil War with Republican Army for 2 years.

"National secretary of Abraham Lincoln Brigade.

"Although he denied at a hearing that he was a Communist or a member of the Young Communist League, he was listed in the 1938 Yearbook of the Young Communist League on the honor roll of members fighting in Spain.

"Charged in 1940 with having had connections with 11 Communists arrested in Detroit for enlisting men for a foreign army.

"City Magistrate's Court, New York, N. Y. (Gerald Cook) No. 233795, May 12, 1934, disorderly conduct.

"City Magistrate's Court, New York, N. Y. (Jerry Cook), No. 306820, April 26, 1940, disorderly conduct, picketing French consulate, 15 days."

"Second Lt. Joseph Lash, ASN O-1582853 (this party apparently did originally use a middle initial P., and was the one at Camp Lee, Va., under the name Joseph Lash):

"President of American Student Union (May 1938), which has been exposed as a Communist front by the testimony of Lash himself before the Special Committee on Un-American Activities on January 21, 1942.

"Associate editor of the Student Advocate, published by the American Student Union at New York City.

"Member, administrative committee, American Youth Congress.

"Member, national council, American Youth Congress.

"Represented American Student Union at national assembly of American Youth Congress on October 7, 1939.

"Delegate to the Second World Youth Congress, held at Vassar College, August 16-23, 1938. The World Youth Congress was completely under the domination of Communists.

"Vice chairman, united student peace committee of the American Youth Congress.

"Affiliated with Coordinating Committee to Lift the Embargo, one of the numerous Communist-front enterprises organized around the Communists' agitation over the Spanish civil war.

"Affiliated with American League for Peace and Democracy, originally called the United States Congress Against War and Fascism. It has also been known as the American League Against War and Fascism, which was founded in New York City in September 1933. The organizing committee was composed of Communists and non-Communists. Communists, however, have continued in control.

"Endorser of International Student Congress Against War and Fascism.

"Speaker at Red May Day gathering, New York City.

"General secretary of International Student Service at $4,000 a year in 1940.

"From January 1936 to December 1939 employed by American Student Union.

"Employed by League for Industrial Democracy, New York City."

"Sgt. Marc Blitzstein, AAF, ASN 13082206, assigned on detached service to OWI:

"Blitzstein is one of the foremost activists in Communist ranks in the United States. He is a musician, composer, and dramatist who received in March 1941 a Guggenheim Fellowship to write a musical play. Among his plays and songs are the Cradle Will Rock, Class Conscious Blues, Moscow Metro, Songs of Freedom and No for an Answer. His plays have been produced by Communist cultural movements throughout the country. No for an Answer was barred in New York City because of its subversive character. His songs are reproduced in Communist song books and sold at propaganda centers in the United States.

"Contributed many articles to Communist publications, including the Daily Worker, New Masses, Theater Workshop, Equality, Soviet Russia Today, New Theater News, TAC, Equal Justice, Voice of Freedom, Free World, and People's Daily World.

"Aided in raising of funds for the New Masses and Daily Worker.

"Supported Communist candidates for President and Vice President of the United States. Earl Browder and James W. Ford; and Israel Amter, Communist candidate for Governor of New York.

"On a handbill distributed from the Chicago headquarters of the Communist Party, Blitzstein was quoted as having said: "New Masses can be counted on for a complete and accurate analysis."

"The following comment appeared in the April 23, 1942, issue of the Daily Worker:

"'Can music be politically articulate? Don't ask Marc Blitzstein that dated academic question. He wrote No for an Answer and the Cradle Will Rock, and now he's supervising Music at Work, the unique, militant, wartime concert to be performed at the Alvin Theater on May 10 for Russian War Relief.'

"Blitzstein enlisted as a private in August 1942, arrived in eastern theater of operations in October, assigned headquarters squadron, Eighth Air Force, later to Eighth Bomber Command. On February 23, 1943, started musical work in connection with public relations, promoted sergeant November 1943, headquarters Eighth Air Force. Was assigned to headquarters, USSTAF, and put on detached service with the production unit, Pinewood Studios, Iver, Buckinghamshire, on Anglo-American film project under direct supervision of OWI. According to the most recent information received from the Army, he is director of music and musical composer for the production unit in the making of the film, The Liberation of France.

"A very partial list of Blitzstein's known connections with Communist fronts, publications, and other activities follows:

"Instructor, Downtown Music School, 1937 (Communist).

"Entertained by Philadelphia Workers School.

"Signer of letter to President Roosevelt in behalf of Spanish democracy, auspices of the American Friends of Spanish Democracy.

"Signer of petition in behalf of Si Gerson (Communist), sponsored by League of American Writers.

"Entertained at New Masses meeting.

"Speaker at Workers Bookshop, New York City.

"Sponsor of benefit ball for New Masses.

"Signer of petition issued by International Labor Defense.

"Joined with the International Labor Defense in protesting to Japanese Government against the arrest of Japanese Communists.

"Member, Musicians' Committee to Aid Spanish Democracy.

"Signer, open letter in support of Soviet Union during Hitler-Stalin pact.

"Participated in a Communist mass celebration for William Cropper, Daily Worker cartoonist.

"Contributor of manuscript to aid Spanish democracy, sponsored by League of American Writers.

"Received anniversary award of New Theater League.

"Judge in Young Communist League 'sound contest.'

"Sponsor of International Labor Defense fund drive.

"Sponsor of the First American Rescue Ship Mission Campaign to transport 150,000 Spanish refugees to Mexico and South America.

"As member of the American Peace Mobilization, active during the Hitler-Stalin pact, he participated in TAC antiwar program in Manhattan.

"Participated in tribute to John Reed, deported American Communist who is buried in the Kremlin.

"Writer of play for the New Theater League in Philadelphia.

"Signer of petition sponsored by National Federation of Constitutional Liberties appealing for freedom of Sam Darcy, convicted of perjury.

"Attended emergency peace mobilization meeting in Chicago following the signing of Hitler-Stalin pact.

"Entertained at fund-raising party for equality at home of Lillian Hellman.

"Entertained at meeting of American Friends of Chinese People.

"National Committee, League of American Writers.

"Endorsed American Peace Mobilization.

"Signer of statements urging President and Congress to defend rights of Communist Party, 1941.

"Contributor to the New Masses, 1941.

"Gave a performance of No for an Answer to raise funds for Allan Shaw and other Communists who were charged with sedition in Oklahoma, auspices of International Labor Defense.

"Member, Schappes' Defense Committee. Schappes imprisoned for perjury in investigation of Communist activities in New York schools.

"Contributor to International Labor Defense.

"Addressed 'anti-Cliveden' rally.

"Wrote composition especially for New Masses rally.

"Signer, open letter to President Roosevelt asking him to rescind order to deport Harry Bridges.

"Appeared on program of the second annual liberty ball of the American Labor Party.

"Signer of the call to the Conference on Constitutional Liberties in America (organization ensuing from the conference denounced as Communist by Department of Justice).

"Participated victory fiesta of the International Workers Order.

"Favored Presidential clemency for release of Earl Browder, 1942.

"Sponsor, New Theater League and Southern New Theater School, 1940."

"T-5 Theodore Draper, ASN 42037377, Headquarters, Eighty-fourth Infantry Division, APO 84, New York:

"Editor, New Masses.

"Contributing editor, China Today, official organ of the American Friends of the Chinese People, which has given prominent display to news, manifestos, and reports of the Communist Party of China.

"Editor, Student Review, which carried the advertisements of a number of typical Communist organizations and agencies.

Sgt. Samuel Dashiell Hannett, technical-4, ASN 3118358, Headquarters, Alask .n Department, editor camp newspaper, The Adakian:

"Sponsor of relief ship for Spain (during Spanish civil war).

"President, League of American Writers.

"Editorial council, Equality.

"Signer of appeal to dismiss charges against Sam Darcy, Communist leader.

"Citizens Committee for Harry Bridges.

"Signer of statement urging President and Congress to defend rights of Communist Party.

"Signer of call for American People's meeting, 1941 (American Peace Mobilization).

"Signer of open letter to the Government and people of the United States to lift Spanish embargo.

"Defended Moscow purge trials in New Masses, 1938.

"On advisory board of Films for Democracy.

"Signer of petition to Franklin D. Roosevelt protesting District of Columbia grand jury inquiry into the New Masses.

"Member of Citizens Committee to Free Earl Browder.

"Sponsor of Tom Mooney committee.

"Endorser of North American Spanish Aid Committee.

"Chairman of Motion Picture Artists Committee, Spanish Refugee Relief Committee.

"Signer of open letter to Franklin D. Roosevelt urging a declaration of war on the Finnish Government in the interests of speedy victory by the United Nations over Nazi Germany and its Fascist allies, sponsored by the American Council on Soviet Relations.

"Sponsor of luncheon for the Conference on Constitutional Liberties.

"Member of National Emergency Conference for Democratic Rights.

"Chairman of Committee of Election Rights (chief purpose of this committee was the defense of the interests of the Communist Party).

"Signer of appeal to release Luis Carlos Prestes (Brazilian Communist League).

"Conducted craft sessions at the Fourth American Writers' Congress.

"Chairman of Committee on Free Elections of the National Federation for Constitutional Liberties."

Mr. BURTON. I submit a statement relative to certain individuals who because of the alleged sympathy with subversive ideologies on their part, according to the advice from intelligence sources, had their commissions withheld or were removed from officer candidate schools, whose records were submitted to the Secretary of War's personnel board (frequently termed the Craig board) and then reviewed for final decision by the Deputy Chief of Staff, acting in consultation with the Assistant Secretary of War and to nine of whom commissions were issued notwithstanding the adverse recommendation of the board; to be entered in the record if approved.

The CHAIRMAN. Entry in the record is approved.

Mr. BURTON. The statement referred to is as follows:

"In 1942 and 1943 the commanding officers of the various officer candidate schools and aviation cadet training schools, for alleged counter-intelligence reasons, removed certain candidates from these schools or upon graduation withheld from them their commissions. Such action was taken in accordance with the recommendations or directions of intelligence agencies at appropriate levels.

"To determine whether any injustice had been done to the individuals involved, the War Department during 1943 and 1944 reviewed 42 such cases.

"Of the 42 cases so reviewed, 2 involved allegations affecting the moral character of the candidates and 40 involved matters of alleged sympathy or affiliation with subversive ideologies (8 Nazi, 30 Communist, 1 Fascist, and 1 Japanese).

"There 40 cases were initially reviewed by the Secretary of War's personnel board, under a special reference, and were finally reviewed by the Office of the Deputy Chief of Staff, acting in consultation with the Assistant Secretary of War.

"The personnel board recommended that in one case the removal from school or the withholding of commission be reversed and the individual be commissioned, and that in the other 39 cases the removal or withholding be sustained.

"The final reviewing authority confirmed the personnel board's recommendations as to 25 of the 40 cases. That is, it ordered commissioned the one man recommended by the personnel board to be commissioned and it sustained the removal or withholding action taken by the local commanders in 24 other cases. In a 26th case, the individual had been discharged from the Army before completion of the final review.

"In the remaining 14 cases which were thus reviewed, the final reviewing authority did not follow the recommendations of the personnel board that the removal or withholding be sustained. The final reviewing authority authorized 5 of these 14 candidates to return to school—but none of them ever graduated or were commissioned. It ordered the other 9 candidates to be commissioned as second lieutenants in the Army of the United States; all but one (limited service for physical disability) serving overseas. Of these 9 last-mentioned individuals, 3 were the subject of testimony before this special committee by Major General Bissell and Major General Donovan on March 13, 1945."

The CHAIRMAN. Committee is recessed subject to call of the Chair.

Mr. SABATH. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. SABATH. Mr. Speaker, it is indeed unfortunate that the gentleman from Mississippi [Mr. RANKIN] should attack Secretary of War Stimson, Under Secretary of War Patterson, and Assistant Secretary of War McCloy who have rendered the country conscientious and valuable service in the prosecution of the war. I am aware that two of them as Republicans, and perhaps the Assistant Secretary of War, were called upon by our late President to serve at the most critical period in the history of our country. While I have not always agreed with their administrative actions and departmental regulations, I know them to be men of unquestioned integrity, directing their every effort in the success of our military forces.

The gentleman from Mississippi bases his demand for their resignation because the War Department issued a statement that 16 commissioned officers and 3 enlisted men in the performance of their military duties have clearly evidenced their loyalty to our country and the principles for which this country is fighting. The statement was in answer to a statement of Investigator Burton of the House Committee on Military Affairs, who, I am informed, was formerly attorney for Father Coughlin and his National Union for Social Justice, to the effect that an investigation of their activities reflects communism in some form.

I understand that in the case of one or two of these men insinuations were raised by reason of the fact that they had written articles for several small newspapers long before they entered the military service. For the time being I do not wish to give unnecessary publicity to these gentlemen, except to say that in due justice to them, after reading of their connections before and during their military service, I am satisfied they are loyal and patriotic men. One or two of them are held as having communistic leanings because they donated a small sum to the Spanish committee which was aiding the Spanish form of democratic government and opposed the Nazi-Falangist leader Franco. I am satisfied that a great majority of the American people today are of the opinion that their contribution to that cause deserves praise and not condemnation. Several other of these gentlemen who have been smeared with the taint of communism, according to the statement of the War Department, have rendered extraordinary military service for which they have been decorated. Personnally, I have a high regard for the chairman of the subcommittee of the Committee on Military affairs, the gentleman from Texas

(Mr. THOMASON) and the other members of his subcommittee. It is my hope that they will not be imposed upon or be influenced by Investigator Burton in smearing honest and sincere men whose names he may not like or because they have contributed articles to small papers in order to make a livelihood, or because they belonged to organizations which advocated peace and opposed war. In this connection I could give the names of writers for some of our large newspapers who have written much stronger articles than these gentlemen against the Government and against war.

Mr. Speaker, these 16 commissioned officers and 3 enlisted men upon our entry in the war immediately offered their services to the country. The War Department states that they have proven their loyalty and patriotism and have served the country honorably and with distrinction. That cannot be said of many other writers and publications who have and still continue to embarrass the War and Navy Departments and our Government at every opportunity, and who directly or indirectly endeavor to create discord among the United Nations. If I can obtain the complete records of these men, I shall, with their consent, as soon as possible, insert them in the CONGRESSIONAL RECORD, feeling confident that the country as a whole will resent the unwarranted insinuations and attacks made against them.

I repeat that I am satisfied that there is no justification for the insinuations against these men because they were investigated before they entered the military service by Army Intelligence and there is not a scintilla of evidence that they have not and are not now loyally serving our country. I reiterate it is manifestly unfair for any one to make unwarranted insinuations because they have written articles in the past upon orders from some publications, the same as many writers are doing for various newspapers.

Mr. RANKIN. It is not years ago. It is going on right now.

Mr. SABATH. The gentleman cannot prove a single thing or that they have not been patriotic, good American citizens. And you know it.

If the gentleman from Mississippi is desirous of saving our democratic form of government, I ask him why it is that he has not begun an investigation of real un-American, subversive, and seditious activities and especially, at the present time, to investigate the activities of former Senator Reynolds who some years ago wrote an article Why Not Play Ball With Hitler and Mussolini, and who today is imitating the pattern of Hitler-Goebbels propaganda in this country, assisted by Gerald K. Smith, Joe McWilliams, and others of their ilk. I am sure the gentleman can obtain a great deal of evidence and information on that score by reading today's issue of the Washington Daily News which surely cannot be said to have communistic leanings. He will learn something about the Reynold's Nationalist organization which is endeavoring to corral into its fold anti-Democratic groups, the American Firsters, the Silver Shirts, the former Ku Klux Klanites, and joiners of similar organizations.

The SPEAKER. The time of the gentleman from Illinois has expired.

Mr. PITTENGER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. PITTENGER. Mr. Speaker, I always listen with a great deal of interest to the remarks of the gentleman from Mississippi. I heard his short speech made a few moments ago. I think it unfortunate that we should make any statement that will reflect on the confidence that the people have in the fine work that the Secretary of War and other War Department officials have been doing and are doing. I simply want to say that I think they have been doing a good job. If anybody made a mistake, and if anybody let a bunch of Communists get on the pay roll of the Army of the United States or on any other pay roll of the United States Government, in any of its departments, that matter ought to be investigated and those people ought to be fired. A Communist has no business in this Republic of ours undermining our free institutions, on the pay roll of the United States.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. PITTENGER. I yield to the gentleman from Mississippi.

Mr. RANKIN. What I am complaining of is that they have been investigated, found to be Communists, and these men are protecting them.

Mr. FOLGER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. FOLGER. Mr. Speaker, I do not like to get into a controversy of any kind, but I think it is highly unfortunate and deplorable that such an attack as the gentleman from Mississippi [Mr. RANKIN] has made should be made upon the men who are directing this war in such a magnificent way. I did not get the other name, and I might include him, too, but Secretary Stimson and Under Secretary Patterson are as patriotic and as far from having any Communists or subversive elements in the service as any two men in this Nation.

EXTENSION OF REMARKS

Mr. KOPPLEMANN asked and was given permission to extend his remarks in the RECORD in two instances, and include in each editorials.

Mr. ARNOLD (at the request of Mr. SCHWABE of Missouri) was given permission to extend his remarks in the RECORD in two instances, and include in each excerpts from the Wall Street Journal.

Mr. MILLER of California asked and was given permission to extend his remarks in the RECORD.

Mr. PHILBIN asked and was given permission to extend his remarks in the RECORD.

Mr. STIGLER asked and was given permission to extend his remarks in the RECORD and include an address by Federal Communications Commissioner Paul A. Walker.

The SPEAKER. Under previous order of the House, the gentleman from California [Mr. VOORHIS] is recognized for 20 minutes.

THE FUTURE OF FREE AMERICAN INSTITUTIONS

Mr. VOORHIS of California. Mr. Speaker, when I asked for time for tomorrow I had intended to surrender completely my time for today, but I cannot refrain from taking a couple of minutes of that time now in view of what has been said on the floor this afternoon.

In the first place, may I say that I share completely the sentiments expressed by the gentleman from North Carolina [Mr. FOLGER]. I think it perfectly fantastic to think that Secretary Stimson and Under Secretary Patterson could have the slightest sympathy with communism or anything of the sort.

Mr. FOLGER. Mr. Speaker, will the gentleman yield?

Mr. VOORHIS of California. I yield to the gentleman from North Carolina.

Mr. FOLGER. I understand that Assistant Secretary McCloy was named, too, and I should like to have the gentleman include him.

Mr. VOORHIS of California. I feel the same way about him. It so happens that both Secretary Stimson and Under Secretary Patterson are members of the Republican Party. That to my mind is not the significant fact, however, but rather their records as American citizens.

In connection with this matter, and it seems to be coming up in the House day by day and more and more, I cannot refrain, Mr. Speaker, from trying to make some contribution toward what I think is nothing less than the protection of free institutions in our country. I heard a radio broadcast last night to the effect that the Communist Political Association, or whatever the name is that is now used, is going to hold a secret convention at which neither the press nor the public will be admitted. There have been some things said on the floor of the House about Communist plots, but if we wanted really to find out about that, it would be well to know what goes on in that convention. I believe it completely un-American for any political organization to proceed in secret in this Nation, particularly one whose basic philosophy is one of the establishment of dictatorship and the rule of a handful of people over the rest by means of force. The Communists, of course, are not alone in the use of such tactics. Some groups which would have us believe they are at the opposite extreme pursue exactly the same secret tactics and are subject to the same criticism.

I do not believe that Communists—and when I say that I mean the genuine article; I am not talking as same do about people who are progressives or are devoted to the welfare of the common people, and who insist that new conditions of life have to be met by new measures in order that the people may live—I am

not talking about them, I am talking about people under the discipline of an international organization and whose very movements and thoughts are directed and controlled by that international organization. I say that people like that, people who are in truth Communists, ought not to be commissioned in the United States Army. I just don't believe they have been.

Mr. KOPPLEMANN. Mr. Speaker, will the gentleman yield?

Mr. VOORHIS of California. I yield to the gentleman from Connecticut.

Mr. KOPPLEMANN. I should like very much for the distinguished gentleman, whose judgment on many matters is so good, to say something about this continuous vilification of those who are called Communists but who are opposed to communism.

Mr. VOORHIS of California. I am glad the gentleman said that, as that is exactly what I am about to do. One of the greatest dangers to future liberty in America comes from two kinds of people, who call themselves, on the one hand, anti-Communists, and who call themselves, on the other hand, anti-Fascists. The best cloak for a real Communist is to call himself an anti-Fascist, and the best cloak for a real Fascist is to call himself an anti-Communist. That tactic was used over and over again. Indeed, it was the very tactic that lifted Hitler to power in Germany, the very one.

There are throughout the length and breadth of this Nation groups of people who are nothing more nor less than honest conservatives who have been accused of being Fascists when it was not true at all. And there are also millions of people who are nothing more nor less than honest progressives who over and over again in some sections of the press and elsewhere are accused of being Communists when that word is not applicable whatsoever to their position. This, Mr. Speaker, is the sort of thing which, if persisted in long enough and if well enough financed as it was in Germany, can rend our Nation apart and actually destroy our liberties.

Now, over against what I said about this Communist convention, I want to say that if you read the papers as I have tried to do, you have read also about some other organizations, notably one for which Joe McWilliams, the Yorkville fuehrer of prewar days, is working, which is attempting to get under way in this country.

This organization apparently is going to be antilabor, anti-Catholic, anti-foreign-born American, anti-Negro, anti-Jewish, and I do not know what else it is going to be anti. It is to be organized around little groups for all the world like Communist cells. But it will shout about how it is the very spearhead of anticommunism. An organization of that sort and the work it does will manufacture Communists faster than they can be manufactured in any other way because some people will say, "If this kind of bid for power by a special group of people seeking to outlaw all sorts of American citizens, because of race, color, or creed, is going to make progress in this country, then we will resort to something ourselves in order to counteract it." Mr. Speaker, no man can effectively fight communism unless he fights, also, against fascism and all its breed of children—bigotry, hatred, intolerance—the same as no one can effectively fight fascism unless he is equally earnest and alert in fighting communism. This is the unbreakable rule for anyone who really loves freedom and upon its observance and that of another principle I am about to state the whole future of human freedom depends.

Mr. Speaker, we have to mean what we say. There are in my judgment small groups in this country at both extremes, small groups who do not believe in democracy and who do not believe in free institutions who would like to set up a dictatorship in this Nation by themselves and to shut all the rest of the citizens of this country out of participation in its democratic political life. Those groups and their activities, in my judgment, the American people have a right to know about. It is the only defense that I know of which democracy has against such groups. Exposure of their activities is the proper function, I believe, of this Congress and other bodies in this Nation. But if that function is abused, to the extent of trying to use it for purely political purposes so that people attempt to gain political advantage because they are conservatives by smearing those who are progressives and accusing them of being Communists, or if the same tactics are used on the other side, and I condemn it just as much, then you are going to play right into the hands of extreme Fascist groups on the one hand and Communist groups on the other. For to the extent that those people can become associated in the public mind with others who do not share their position but are falsely accused of doing so that is so much water on their wheels.

The future of freedom in our country depends upon the number of people who are ready to say: "However much I may disagree with another man's particular political, economic, or social beliefs, as long as that man says that he seeks to accomplish his purposes by no other method except the means laid down in the United States Constitution for accomplishing them, I will defend his name as a sincere American with all my vigor." As long as a man or woman says, "I may seek radical measures, but I will never seek to put them into effect until the majority of the American people vote for them in a free election"; as long as he says, "I will abide completely by the political institutions of my country in seeking my ends," no accusation of un-American activities can fairly be made against that man or woman. I say there must be a rising up of all thoughtful people in this Nation who will say that every man, regardless of his particular views, if he puts them on that basis, has a right to be protected in that position as a good, loyal, patriotic American citizen.

When we get that 98 percent of the people of America to stand together on those fundamental issues, then we will be able to stop the danger that comes from a continuous growth of a group of people who say they are joined together because they are anti-Communist, when, as a matter of fact, they seek Fascist ends in this country, and a conglomeration on the left of people who say they are anti-Fascist, when as a matter of fact they really seek the ultimate end of communism. That kind of division of our people, with the extremes calling the turn, with the extremes able to use propaganda to gather up support to which they are not entitled, is the thing I fear. Let everyone who truly cares for the future of liberty beware the point of view which is anti-Fascist and not anti-Communist and the point of view that is anti-Communist but lets the rank seeds of fascism grow and flourish without doing anything to stamp them out.

Mr. Speaker, I close by saying that our major duties in this regard are, first, to pursue a peace that can be a firm and lasting peace; not only to ratify the United Nations Charter but, more, to recognize the necessity of our Nation working with the other United Nations in every available way until we achieve the establishment of such a peace. We are not going to always agree with those nations. We should not try. We should take a strong position when we think they are wrong. Nothing is to be gained by making excuses for wrong international policies by whatever country pursued. But we should make it clear that America's cooperation and her work for peace and her good will toward all peaceful peoples are going to be consistent.

Second, we have to have a program in America that will prevent unemployment in the future. If we do those things, and if we always accord to other people who abide by the basic American institutions and methods the same right to patriotism as we demand for ourselves, then I shall have no fear. Wild talk, however well intentioned, may turn out to defeat the very purposes that those engaging in it may think they serve. The test of patriotism is a man's devotion to the United States as a nation and the free constitutional political institutions for which our Nation stands. If a man can pass that test, then regardless of what his race or creed, regardless of his particular views on other questions, certainly he is entitled to the name of a good American.

Mr. THOMASON. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. THOMASON. Mr. Speaker, I find myself again in accord with the gentleman from California [Mr. VOORHIS] who has just spoken. I regard him as one of the most industrious, most sincere and most patriotic men in this House. I am in hearty accord with all he has had to say during the last few minutes.

The reason I have asked for this time is that I have just come to the floor and I take it that some reference has been made to a—not an official report to the House, but some findings made by a subcommittee of the Committee on Military Affairs yesterday to the full committee, and in connection with which I had some part.

I would like to say, first, that it has just come to my attention that somebody has expressed some criticism of the distinguished Secretary of War, Mr. Stimson, the able Under Secretary of War, Judge Patterson, and the efficient Assistant Secretary of War, Mr. McCloy. I want it strictly understood that I do not share in that criticism. In my judgment, there are no more outstanding, more patriotic and more efficient Americans than those three men. The results this far in the war prove that they knew what they were doing. Their part in the war effort has been as brilliant as any in military history.

Mr. SHORT. Mr. Speaker, will the gentleman yield at that point?

Mr. THOMASON. I yield.

Mr. SHORT. I think the gentleman from Texas is expressing the consensus of opinion of all members of the Committee on Military Affairs.

Mr. THOMASON. My friend from Missouri just beat me to that, because that is the unanimous opinion of the Committee on Military Affairs. In addition to that, I might say that I yield to no Member of this House or to nobody in the country in my praise, as well as my loyalty, to the War Department for the magnificent job they have done. They are human and they have made mistakes, but they have been mistakes of the head and not of the heart.

Mr. SHORT. Of course, the gentleman from Texas knows full well that the gentleman from Missouri does not hesitate to differ with any one of those three gentlemen at any time.

Mr. THOMASON. I might say that is true of every member of the Committee on Military Affairs. I have done that myself. Yet no member of that committee ever questioned their loyalty, ability or patriotism.

Mr. WALTER. Mr. Speaker. will the gentleman yield?

Mr. THOMASON. I yield.

Mr. WALTER. Did the investigation the gentleman just mentioned disclose any knowledge on the part of these three officials of the issuance of the commissions?

Mr. THOMASON. I am going to make a brief statement about what that situation is so there will be no misunderstanding about it.

The Committee on Military Affairs was charged with the duty of investigating how and to whom commissions were issued in the Army, and they were especially charged with ascertaining whether or not anybody of Communist or Fascist background or any other political ideology contrary to our own had been granted commissions in our Army. The chairman of the full committee set up a special subcommittee to investigate the whole field, and it so happened that I was named chairman. The other members of that subcommittee, in order that the membership may know and the RECORD show, are: The gentleman from North Carolina [Mr. DURHAM], who had a good record, if I may say so, in the last war and who has a son in this one; the gentleman from New York [Mr. ROE], who has been an officer in this war and resigned only upon his election to Congress; the gentleman from Illinois [Mr. ARENDS], who was in the last war; and likewise the gentleman from Ohio [Mr. ELSTON], who served in the last war. I believe we can modestly say we are not crackpots, Red chasers, or publicity seekers. We only want to do faithfully and well the job assigned to us.

For several months this subcommittee in a quiet way has been trying to ascertain facts and facts only. It has not sought to smear anybody or to whitewash anybody. All in the world we have undertaken to do is to investigate the records and hear the witnesses in order that the truth be known. The document filed yesterday with the full committee could hardly be called an official report. We made no independent findings of our own. We only reported the facts thus far disclosed.

Our investigators will continue their work during the recess and we will resume hearings later. The committee is able and willing to defend the facts thus far adduced and will continue the same policy.

The committee has not said that a single one of the men mentioned in the report of yesterday is now a Communist. We reported only the facts regarding their communistic background, ideologies, and associations in the days before they entered the service. General Donovan testified before the committee; he is head of the Office of Strategic Services and a great American, and likewise General Bissel, who is head of G–1, head of Army Intelligence. They testified at length before the committee; and I believe the record will disclose that some of the men mentioned in the statement have outstanding, even brilliant military records. I do not profess to know the officers or officials in the War Department responsible for the commissioning of these men. Frankly, it is my own opinion that some of the men in question did not deserve commissions. I know many fine young men far better qualified and whose political philosophy has never been questioned who have done their best to be even admitted to officer candidate schools and failed. I challenge anybody to question the truthfulness of the factual statements we have made. I repeat that we have only stated the facts and the truth and any interested citizen can draw his own conclusions. We stand on the record.

The SPEAKER. The time of the gentleman from Texas has expired.

Mr. SHORT. Mr. Speaker, I ask unanimous consent that the gentleman from Texas may proceed for five additional minutes.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. SABATH. Mr. Speaker, will the gentleman yield?

Mr. THOMASON. I yield.

Mr. SABATH. I am indeed gratified with the statement of the gentleman from Texas that his committee has not found anything against them with the exception of things that happened in days gone by when they might have had such leanings. During the war and in the last 3 years they have performed their duty loyally and patriotically in every way and have served the country to the best of their ability. Is not that right?

Mr. THOMASON. I think that is a fair statement. I repeat that so far as my connection with this investigation is concerned, and I did not seek it, all I want is the truth and to perform the duty that was assigned to me. I want the RECORD to show that so far as has been shown up to this moment these men or some of them at least, have good records in the Army. I want to repeat, too, that we have stated the actual facts regarding their past affiliations. We have not charged anybody with being a Communist and we have not charged anybody with being a Fascist. We have given the facts as they have been adduced from the witness stand. The question is, in view of their past records, did these men rate commissions?

Let me say further that we have only started this investigation. When the House resumes work in October the committee expects to investigate the records of any man who has been reported to that committee where there is substantial and reliable evidence that he was unfit for a commission, whether he has Communist leanings, Fascist leanings, or any other kind of leanings antagonistic to our present form of government, and we will put the truth in the RECORD.

I would like to repeat that there has been no reflection, but on the contrary the utmost confidence, in the high officials of the War Department. We have only set out the truth about these men and the public is entitled to know it. The mothers and fathers of this country are entitled to know the type, experience, qualifications, and political philosophy of the commanding officers of their sons. I challenge anybody to question the record of these men as we reported it yesterday. You can be your own judge. We are not prosecuting them, we are not defending them; we are simply stating the facts. Are they better qualified than many men who sought commissions and whose political beliefs were not in question?

Mr. SABATH. Mr. Speaker, will the gentleman yield?

Mr. THOMASON. I yield to the gentleman from Illinois.

Mr. SABATH. I have not requested one commission in the Army or in the Navy. I do not know any of these men personally. I feel that the gentleman is honest and sincere in his views and I hope that he will continue to make a thorough investigation of any man who is not deserving to be in our armed forces or who has been disloyal or unpatriotic, whether he be Fascist or Communist. I am with the gentleman and if I can be of any service to eradicate these Communists or Fascists, I shall gladly cooperate with the gentleman.

Mr. THOMASON. I have never thought that the truth would hurt anybody, at least, it ought not to.

The SPEAKER. The time of the gentleman from Texas has expired.

Mr. THOMASON. Mr. Speaker, I ask unanimous consent to proceed for three additional minutes.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. THOMASON. Mr. Speaker, I see the gentleman from Illinois [Mr. ARENDS] is present. I assumed authority to speak for him and the other members of the committee in assuring the House that there is going to be a full and absolutely fair investigation of every responsible and deserving complaint that comes to us, whether the individual is reported to be either a Communist, Fascist, or believe in and practice any other ideology that is contrary to our present form of government.

I do not know a single one of these men, I never saw one of them in my life, so far as I know, and I have no personal interest in them. It is not my nature to do anyone an injustice or to smear him. I pay them tribute and a compliment for any meritorious or patriotic service they may have rendered since they have been in the Army; nevertheless, their names were sent to the committee and if the gentleman from Illinois [Mr. SABATH] has some Fascists or any other undeserving officers that he wants to know the truth about so far as their record is concerned, this committee will try to get it for him. That is fair enough, is it not? That is all this committee intends to do. It has no time to be challenging the patriotism or the fine job done by anybody.

One of the greatest men in America, in my opinion, is Secretary Stimson, and right along with him I want to include the Under Secretary, Mr. Patterson, than whom there is no abler or finer man in this Government. They will be the first to discharge any officer whose loyalty to this Government is even in serious doubt. The duty assigned the committee, however, is to inquire into the background of those who because of political and subversive beliefs should never have been given commissions and that we propose to do in a fair and judicial manner. That is the way every member of the Committee on Military Affairs feels about the matter.

Mr. SABATH. I took the floor to deny the statement made by the gentleman from Mississippi.

Mr. THOMASON. I am speaking only my own sentiments and telling this House how our committee has proceeded and how it expects to proceed in the future.

Mr. ARENDS. Mr. Speaker, will the gentleman yield?

Mr. THOMASON. I yield to the gentleman from Illinois.

Mr. ARENDS. I am glad the gentleman made that statement, for the simple reason that we are not pointing our fingers at anybody in the Army, regardless of what someone might say on the floor, but without working an injustice on anyone we base our findings on truth and on fact, and if there is any Communist within the Army, especially in a strategic position, we want to know about it and bring it to the light of the country.

Mr. THOMASON. I thank my colleague from Illinois. I do not know what some newspaper editors, columnists, or commentators are going to say, but the committee will not say that a man is a Communist or Fascist if there is no evidence to support it. That is an easy and perhaps a popular thing to say these days, wher you do not like somebody or do not agree with him.

Mr. FOLGER. Mr. Speaker, will the gentleman yield?

Mr. THOMASON. I yield to the gentleman from North Carolina.

Mr. FOLGER. I am sure there is not a man in Congress who doubts the wisdom and the patriotic approach of the work that this subcommittee did and will do. No one is afraid of the fairness and the fine way in which anything will be done that they may perform. I am speaking now for this Congress and its Membership in asking the question if the gentleman believes there is any Member in this House who doubts the patriotism of Secretary Stimson or Under Secretary Patterson or Mr. McCloy.

Mr. THOMASON. I do not know of such a person. I do not speak for anybody but myself, but I trust them to the limit, and I think they are great men and doing a great job and ought to be left where they are until this terrible war is over. I might go a little further and say that I do not belong to a school that thinks the man who does not agree with me is a Communist or a Fascist. We are going to find out the facts. If a man has a commission in our Army, that is public business. That is the taxpayers business. It is the business of the people of America to know the character and thinking of its Army officers and that is all this committee is charged with doing, and I will say that without fear and without favor that is what this committee is trying to find out. We will undertake to get the facts and you can arrive at your own conclusions.

INCREASED COMPENSATION FOR AMPUTEES

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, and to include as part of my remarks a letter from General Hines stating that the passage of the bill introduced by the gentleman from Mississippi [Mr. RANKIN], chairman of the Committee on World War Veterans, for increased compensation for amputees, would serve a useful purpose. In that letter General Hines urges speedy enactment of legislation for the amputees.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, late yesterday afternoon the Committee on World War Veterans unanimously reported a bill which would increase in certain instances compensation paid to amputees. I regret very much that higher rates of compensation were not given to the amputees, but the Bureau of the Budget had already cleared this particular bill. At any rate, the bill tends to equalize certain inequalities that now exist between the compensation paid to amputees of World War I and amputees of World War II. Doctors tell me that the loss of a hand or a foot is a great shock to a person, there is always a feeling of frustration and a very difficult adjustment to make. I believe their lives are often shortened because of their disabilities.

Under the Rankin bill, no increase whatsoever is given for a single amputation and no increase is given for the loss of an arm or a foot or an eye. No increase is given to a man who has lost both eyes or both feet or both hands. And the rates in the other brackets are too low. I consider the increased rates of compensation in this bill too low. I doubt if any Member of Congress can leave Washington happily if the amputees are not given added compensation.

In past years we have passed a great deal of legislation for the veterans. The Rating Schedule Board also has not interpreted it always as we thought it would. If this bill passes—and I hope it will be brought up and passed quickly—the Senate can then make certain adjustments and changes when it reaches the other side, and I know certain inequalities that exist even with this bill will be corrected over there.

Mr. Speaker, under leave to extend my remarks, I include a portion of General Hines' letter, above referred to:

There are forwarded herewith two copies of a draft of a proposed bill entitled "A bill to amend the veterans' regulations to provide additional rates of compensation or pension and remedy inequalities as to specific service-incurred disabilities in excess of total dsability," with the request that same be introduced and referred to the appropriate committee for consideration.

The proposed legislation would provide rates of pension for specific service-incurred disabilities under Veterans' Regulation No. 1 (a), as amended, on a parity with the rates of compensation payable for similar disabilities under the World War Veterans' Act, 1924, as amended, and remove certain inequalities which now exist, particularly as between veterans of World War I and World War II. It would also recognize the great difference existing between double amputations at various levels and provide a more flexible scale for the authorization of monetary benefits to the most severaly disabled veterans.

The rates of compensation payable to veterans of World War I under Public Law 141, Seventy-third Congress, March 28, 1934, which reenacted, with limitations, certain provisions of the World War Veterans' Act, 1924, as amended, which had been repealed by the Economy Act (Public Law 2, 73d Cong.) are the rates (or 75 percent of the rates if the disability is connected with service by virtue of statutory presumptions), provided by the World War Veterans' Act, 1924, as amended. The rates of pension payable for specific service-incurred disabilities to persons who meet the requirements of Public Law 2, Seventy-third Congress, March 20, 1933, as amended, are governed by part I, paragraph II, subparagraphs (k) to (o), Veterans' Regulation No. 1 (a), as amended, with respect to veterans of the Spanish-American War, including the Philippine Insurrection and Boxer Rebellion, World War I and World War II, and by part II, paragraph II, subparagraphs (k) to (o), for persons who served in active military or naval service on or after April 21, 1898, in time of peace. The rates provided for peacetime service under part II of the regulation are approximately 75 percent of the rates provided for wartime service under part I.

The rates of pension for wartime service under part I of Veterans Regulation No. 1 (a), as amended, have since been extended to persons entitled to pension for service-incurred disabilities under the general pension law (Civil War and Indian War veterans) and to persons whose disabilities resulted from extra-hazardous peacetime service, and who are eligible for pension under the general pension law or part II, Veterans Regulation No. 1 (a), as amended. Likewise, the rates of pension for peacetime service-incurred disabilities under part II of the regulation have been extended to persons who served in time of peace prior to April 21, 1898, who are entitled to pension under the general pension law. Thus it will be noted that numerous groups are affected by the rates provided in part I and part II of Veterans Regulation No. 1 (a), as amended.

Aside from the inequalities which exist as between World War I and World War II veterans by reason of the rates for specific service-incurred disabilities under existing law, particularly as affecting blind veterans, no differentiation is made in the rates for specific disabilities under Veterans Regulation No. 1 (a), as amended, among double amputations at various levels. For example, the blinded World War I veteran receives generally $215 per month with a minimum requirement of 5/200 visual acuity. The World War II veterans receives only $190, with a minimum requirement of light perception only. Further, a World War I veteran receives $35 per month for loss or loss of use of hand or foot in addition to any other rate, with $300 as the maximum amount. The World War II veteran receives this additional allowance of $35 per month only when the basic pension is between $11.50 and $115 per month, with $265 as the maximum amount.

The bill would continue the existing requirement of blindness of one eye, with only light perception for the $35 additional monthly rate, but would provide specific rates for three grades of blindness (1) with 5/200 visual acuity or less; (2) requiring regular aid and attendance; and (3) anatomical loss, at $165, $215, and $235 per month, respectively. The first two grades of blindness correspond with provisions of the World War Veterans' Act, 1924, as amended, and the third, which is total darkness, is a new, higher, rate.

Whereas previously no allowance has been made for blindness of one eye, having only light perception, in addition to the loss of two or three extremities, it is intended under this bill, if enacted, to allow an additional $35 per month for this condition; thus the loss of use of both hands, one foot, and one eye, to light perception, will be compensated at $165, plus two allowances of $35 each, or $235 per month, under the second part of subparagraph (k).

The maximum rate, as a result of including helplessness as one of the entitling multiple disabilities, is intended to cover, in addition to obvious losses and blindness, transverse myelitis with loss of use of both legs and loss of anal and bladder sphincter control, generally resulting from severance of the spinal cord in action or incident to airplane or motorized military equipment crashes; also the loss of use of two extremities with near blindness and absolute deafness, or with severe multiple injuries outside the useless extremities, these conditions being construed as loss of use of two extremities and helplessness.

It is deemed necessary, in the interests of veterans whose disabilities exceed the requirements for any specific rate, to vest authority in the Administrator, in his discretion, to allow the next higher or an intermediate rate in such cases.

As enactment of the proposed legislation will fulfill an urgent need and serve a beneficial and equitable purpose, it is desirable that this legislation be secured at the earliest possible date.

ENROLLED JOINT RESOLUTION SIGNED

Mr. ROGERS of New York, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a joint resolution of the House of the following title, which was thereupon signed by the Speaker:

H. J. Res. 98. Joint resolution relating to the marketing of fire-cured tobacco under the Agricultural Adjustment Act of 1938, as amended.

BILLS AND JOINT RESOLUTION PRESENTED TO THE PRESIDENT

Mr. ROGERS of New York, from the Committee on Enrolled Bills, reported that that committee did on July 18, 1945, present to the President, for his approval, bills and a joint resolution of the House of the following titles:

H. R. 715. An act to provide for the transfer by the Secretary of War of the Roseburg Rifle Range, Douglas County, Oreg., to the Reconstruction Finance Corp.;

H. R. 905. An act for the relief of Paul T. Thompson;

H. R. 3294. An act to permit amendment of the existing compact or agreement between the State of Ohio and the Commonwealth of Pennsylvania relating to Pymatuning Lake;

H. R. 3477. An act authorizing the improvement of certain harbors in the interest of commerce and navigation;

H. R. 3549. An act to provide for the conveyance of certain Weather Bureau property to Norwich University, Northfield, Vt.; and

H. J. Res. 228. Joint resolution to amend the District of Columbia Teachers' Salary Act of 1945.

ADJOURNMENT

Mr. RAMSPECK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 12 o'clock and 50 minutes p. m.) the House adjourned until tomorrow, Friday, July 20, 1945, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

613. A letter from the Administrator, Veterans' Administration, transmitting a draft of a proposed bill to amend the veterans regulations to provide additional rates of compensation or pension and remedy inequalities as to specific service-incurred disabilities in excess of total disability; to the Committee on World War Veterans' Legislation.

614. A letter from the President of the Board of Commissioners of the District of Columbia, transmitting a draft of a proposed bill to provide for the opening of a road within the boundaries of the District of Columbia Training School property in Anne Arundel County, Md.; to the Committee on the District of Columbia.

615. A letter from the Secretary of the Department of Agriculture, transmitting copies of the quarterly estimates of personnel requirements for each of the Department's reporting units for the quarter ending June 30, 1945; to the Committee on the Civil Service.

616. A letter from the President of the Board of Commissioners of the District of Columbia, transmitting a draft of a proposed bill to provide for the taxation of rolling stock of railroad and other companies operated in the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. COLMER:

H. R. 3851. A bill to provide for administration of the Surplus Property Act of 1944 by a Surplus Property Administrator; to the Committee on Expenditures in the Executive Departments.

By Mr. MILLS:

H. R. 3852. A bill to promote the progress of science and the useful arts; to secure the national defense; to advance the national health, prosperity, and welfare, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. ENGLE of California:

H. R. 3853. A bill providing housing for veterans of World War II regularly enrolled as students at universities or colleges; to the Committee on World War Veterans' Legislation.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the House of Representatives of Uruguay in honor of Franklin D. Roosevelt; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CURLEY:

H. R. 3854. A bill for the relief of the estate of Robert Mahoney; to the Committee on Claims.

By Mr. FOLGER:

H. R. 3855. A bill for the relief of Martin A. Tucker and Emma M. Tucker; to the Committee on Claims.

By Mr. GAMBLE:

H. R. 3856. A bill for the relief of Francesco Garuffi; to the Committee on Immigration and Naturalization.

By Mr. IZAC:

H. R. 3857. A bill for the relief of Warren H. Thompson and Madeline Parent; to the Committee on Claims.

By Mr. SOMERS of New York:

H. R. 3858. A bill to authorize the cancellation of deportation proceedings in the case of Alphonse Pellicano; to the Committee on Immigration and Naturalization.

By Mr. SPRINGER:

H. R. 3859. A bill for the relief of Iva Gavin; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1100. By Mr. KUNKEL: Eighteen petitions, totaling 550 names, against prohibition legislation; to the Committee on the Judiciary.

1101. By Mr. SHORT: Petition of Mrs. Earl Gahagan and other persons of Jasper County, Mo., urging the passage of the Bryson bill, H. R. 2082; to the Committee on the Judiciary.

1102. By the SPEAKER: Petition of board of directors of the Chamber of Commerce of Honolulu, petitioning consideration of their resolution with reference to nomination of a citizen of the Territory of Hawaii for appointment to the United States Circuit Court of Appeals for the Ninth Circuit; to the Committee on the Judiciary.

1103. Also, petition of Branch 11, Boston, Workmen's Benefit Fund of America, petitioning consideration of their resolution with

reference to protesting any and all proposals for compulsory peacetime military training; to the Committee on Military Affairs.

1104. Also, petition of the Lincoln Electric Co., Cleveland, Ohio, petitioning consideration of their resolution with reference to welding the Liberty Bell; to the Committee on the Library.

SENATE

FRIDAY, JULY 20, 1945

(Legislative day of Monday, July 9, 1945)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

Rev. Clyde Brown, diocesan missioner of the Protestant Episcopal Church, diocese of Washington, D. C., offered the following prayer:

Almighty God, who hast given us this good land for our heritage and hast made of this Nation the cradle of freedom and good will, we beseech Thee to be present with the Members of the Senate of the United States here assembled. Guide them in all their deliberations with Thy Holy Spirit that, being freed from all error, ignorance, pride, and prejudice, their judgments may be just and equitable, not only for the people of this Nation but for all peoples; that this Nation, under God, may take its rightful place in helping to lead the troubled and war-torn world to a true and lasting peace based on justice and right to all mankind.

Give to all of us the will to do our full share in restoring the desolate and down-trodden peoples, wherever they may be, not only with sustenance for their bodies but also peace to their souls through freedom from tyranny and want and the opportunity to choose their own way of life.

All of which we humbly ask in the name of Him who gave His life that we might be free. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Thursday, July 19, 1945, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that on July 14, 1945, the President had approved and signed the following acts:

S. 24. An act for the relief of the Truckee-Carson Irrigation District;

S. 100. An act to authorize an exchange of certain lands with William W. Kiskadden in connection with the Rocky Mountain National Park, Colo.;

S. 301. An act for the relief of Mr. and Mrs. James E. McGhee;

S. 454. An act to revive and reenact the act entitled "An act creating the Arkansas-Mississippi Bridge Commission; defining the authority, power, and duties of said Commission; and authorizing said Commission and its successors and assigns to construct, maintain, and operate a bridge across the Mississippi River at or near Friar Point, Miss., and Helena, Ark., and for other purposes," approved May 17, 1939;

S. 497. An act to amend an act entitled "An act to provide for the purchase of public lands for home and other sites," approved June 1, 1938 (52 Stat. 609);

S. 501. An act for the relief of the Catholic Chancery Office, Inc.;

S. 527. An act to extend the times for commencing and completing the construction of a bridge across the St. Croix River at or near Hudson, Wis.;

S. 660. An act to transfer certain lands situated in Rapides Parish, La., to board of supervisors of Louisiana State University and Agricultural and Mechanical College;

S. 712. An act for the relief of William B. Scott;

S. 748. An act for the relief of Nita Rodlun;

S. 761. An act to reimburse certain Navy personnel and former Navy personnel for personal property lost or damaged as a result of a fire in Quonset hut occupied by Eighty-third United States Naval Construction Battalion at Camp Rosseau, Port Hueneme, Calif., on December 22, 1944;

S. 812. An act to amend section 3 of the San Carlos Act (43 Stat. 475–476), as supplemented and amended, and for other purposes;

S. 822. An act to reimburse certain Navy personnel for personal property lost or damaged in a fire at Naval Base 2, Rosneath, Scotland, on October 12, 1944;

S. 824. An act to reimburse certain Navy personnel and former Navy personnel for personal property lost or damaged as a result of a fire in Quonset hut E-12 at the amphibious training base, Camp Bradford, naval operating base, Norfolk, Va., on January 20, 1945;

S. 867. An act for the relief of Ruby Doris Calvert, as administratrix of the estate of Frederick Calvert, deceased; and

S. 911. An act authorizing the conveyance of certain lands to the city of Cheyenne, Wyo.

PROPOSED FULL-EMPLOYMENT LAW

Mr. WAGNER. Mr. President, as chairman of the Banking and Currency Committee, I have just received an extremely significant report on the full-employment bill, S. 380, now pending before the committee.

This report is from Mr. Henry Morgenthau, and represents his last official act as Secretary of the Treasury. "I could not leave the Treasury with a sense of having completed my work," writes Mr. Morgenthau, "without informing you of my strong support for S. 380, the so-called full-employment bill."

With regard to the extensive hearings the committee is now planning on this measure, Mr. Morgenthau makes the following statement:

> The fact that you and your committee plan to come to grips with the practical side of this problem is to me highly encouraging. * * * Under the searching spotlight of public discussion and the give-and-take of congressional hearings, we often find ourselves in agreement on objectives, and practical men in Congress find a way of bridging our differences over methods. It is my earnest hope—my expectation—that this will occur in the course of your hearings on S. 380.

Concluding his report, Mr. Morgenthau states:

> Prompt enactment of S. 380 will give this country—industry, agriculture, labor, and government—a definite policy with which to approach the epoch-making problems of reconversion. Delay, on the other hand, offers the spectacle of this country facing this rapidly approaching crisis with indecision, confusion, and stop-gap emergency measures.

It is extremely significant to me that while Mr. Morgenthau ends his distinguished career as the Secretary of the Treasury with an endorsement of the full-employment bill, his successor in that high office, Mr. Fred Vinson, has also taken a position of leadership on behalf of the same proposal. In Mr. Vinson's recent report to the committee as War Mobilization and Reconversion Director, he stated that the full-employment bill is the necessary first step from which a full-dress program of economic policies to promote the well-being of our free competitive economy will stem.

Mr. President, I ask unanimous consent that Mr. Morgenthau's report on the full-employment bill, from which I have just quoted, be printed at this point in the RECORD in connection with my remarks.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

JULY 16, 1945.

Hon. ROBERT F. WAGNER,
United States Senate.

DEAR BOB: I could not leave the Treasury with a sense of having completed my work without informing you of my strong support for S. 380, the so-called full-employment bill

I think too much time and effort have been wasted on ideological word battles over the subject of full employment. Too little time and effort have been directed to the much more difficult—and less spectacular—task of making a fair and impartial study of what industry, agriculture, labor, and government can do to give this country the best possible assurances of a sound and balanced economic structure after the war.

The fact that you and your committee plan to come to grips with the practical side of this problem is to me highly encouraging. It offers assurance of that kind of a down-to-earth examination of the facts which is characteristic of the American democratic process at its best. Under this process many of us are inclined to fuss and fume at the start over the irreconcilable attitude of our political adversaries. But under the searching spotlight of public discussion and the give and take of congressional hearings, we often find ourselves in agreement on objectives and practical men in Congress find a way of bridging our differences over methods. It is my earnest hope—my expectation—that this will occur in the course of your hearings on S. 380.

The bill impresses me as being an appropriate basis from which to commence an analysis of the problem of a prosperous post-war America—call it full employment if you like or high employment as some seem to prefer. It is particularly appropriate because it directs our initial attention to premises and operating principles. It rightly leaves for subsequent determination the formulation of actual programs for implementing the policies established in S. 380.

I am, therefore, more interested at this time in the approach of S. 380 to the problem of full employment than I am in the detail of its actual provisions. I am strongly of the opinion that government does have a definite responsibility, together with industry, agriculture and labor, for seeing to it that a sound and prosperous economy in this country is maintained—an economy that will be able to absorb profitably the honest toil of the American worker and offer full encouragement to American productive genius. The